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ABSTRACT

This report is the outcome of a project to review existing competency-based entrepreneurship curriculum materials and develop a 30-hour course to be used in all vocational-technical curricula at Parkway West Area Vocational School (Pennsylvania). Following a brief project description, the bulk of the document is composed of a teacher's manual and student activity guide. Eight units are included: (1) understanding the nature of small business; (2) developing a business plan; (3) identifying types of ownership and legal responsibilities; (4) promoting your business; (5) starting your own business; (6) maintaining financial records; (7) managing employer/employee relations; and (8) protecting your business. The teacher's manual contains an introduction, teaching plans for each objective, and teacher lecture notes. The teaching plan identifies the unit, task, time allotted for each task, and a performance objective. For each class activity, supplementary materials are listed, and procedures for evaluation that identify the ways a teacher can monitor student progress are provided. Each unit in the student activity guide has a list of unit objectives and student activity sheet for each objective. Fifty-three references are included. (NLA)

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FINAL REPORT

CURRICULUM UTILIZATION

ENTREPRENEURSHIP

CONTRACT NUMBER 85-8043

THOMAS M. TURNBAUGH DIRECTOR

MARY D. RAVITA ASSISTANT DIRECTOR

AMO GERMINARA TEACHER

JOHN DEBBIS TEACHER

VALENTINE DOMINICK TEACHER

GLENN REIS TEACHER

ANTHONY REIS TEACHER

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

R. D. #1 BOX 424

OAKDALE, PA 15071

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Parkway West Area Vocational Technical School acknowledges the following people for their contributions that made this project a success:

Dr. Annette Giovengo, Director and

Mrs. Jan Bishop, Field Representative,

Center for Economic Education, University of Pittsburgh

. . . for their technical assistance throughout the project.

Dr. Frank Palimieri, Advisor

Department of Vocational Education, University of Pittsburgh

. . . for the encouragement to start this project at Parkway West School

Parkway West Entrepreneurship Advisory Committee:

Al Cario, Sunrise Window System

David Urbanek, Milos Beauty Supply

Paul Wolfe, A. L. Williams

Gail Wriggins, Girl Friday Employment Agency

Cynthia Iannarelli, Small Business Development Center

Jack Sheirer, Sheirer Machine Company

Russell Cersosimo, Guardian Alarm Systems

. . . for their guidance and expertise in making this project happen at Parkway West Area Vocational-Technical School

Mrs. Angela Hunter

. . . for her expert typing skills in putting this information all together.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP

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I. ABSTRACT

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
R. D. #1 Box 424
Oakdale, PA 15071

CURRICULUM UTILIZATION - ENTREPRENEURSHIP

CONTRACT NUMBER 85-8043

1. Statement of Purpose

According to the Small Business Administration, over 90 percent of all businesses in the United States are "small businesses". These small businesses play a vital role in our economy, and many are organized as sole proprietorships or partnerships. Small businesses which employ one or more persons generate most of the new jobs in the economy and are responsible for a large share of the technological innovations. It is for these reasons that entrepreneurial activity can contribute significantly to economic development and may provide opportunities for employment which otherwise would not exist.

Vocational Education is the appropriate educational program to bring entrepreneurial skills to those who can best benefit from them. Vocational students often start their own small business or obtain employment in small businesses. Entrepreneurship competencies should be integrated into vocational-technical curricula to provide basic academic and vocational skills necessary for success in the operation of a small business.

2. Objectives Planned

Through this project, we reviewed the existing competency based entrepreneurship curriculum materials and developed a planned course of 30 hours that will be utilized in all the vocational-technical curricula at Parkway West Area Vocational-Technical School.

3. Objectives Achieved

A planned course of 30 hours in Entrepreneurship was developed.

II. PROJECT APPROACH/METHODOLOGY

Scope of the Project

During the 1986-87 school year, Mr. John Debbis, Carpentry teacher and Mr. Glenn Reis, Machine Shop Technology teacher participated in the initial Entrepreneurship project with the University of Pittsburgh, Department of Vocational Education under the direction of Dr. D. Frank Palimieri, Project Director. The objective of their project was to develop an Entrepreneurship Curriculum Handbook for teachers.

During the 1987-88 school year, Parkway West Area Vocational-Technical School made a commitment to integrate Entrepreneurship training into each vocational-technical program. A committee of five teachers reviewed existing curricula and instructional materials, provided an overview during the staff in-service program on August 26, 1987, and gathered input from each of our twenty-two vocational-technical program's Occupational Advisory Committees. Teachers presented to their Occupational Advisory Committee PACE - The Student Competency Inventory for Level 1 and requested each committee to identify critical skills that should be incorporated into our Entrepreneurship program. A special Entrepreneurship Advisory Committee was formed and met on December 18, 1987 to develop the Entrepreneurship Program at Parkway West Area Vocational-Technical School.

Five Parkway West teachers and the Entrepreneurship Advisory Committee agreed to approach this project in a three fold manner:

Phase I — Career Awareness of Entrepreneurship Training was provided to all students enrolled at Parkway West Area Vocational-Technical School during the 1987-88 school year.

Phase II — In depth eight day seminar was scheduled covering specific topics as identified by the Occupational Advisory Committees as being pertinent and important to succeed in business. One hundred students from seventeen programs made application to attend the workshop and seventy five successfully completed the entire program.

Occupational Advisory Committee members presented specific topics of their expertise at the seminar and developed instructional materials that are included in the Entrepreneurship Curriculum Manual.

Phase III — The Parkway West Resource Center will contain copies of all the reference materials identified in the Teacher's Manual and Student Activity Guide. Teachers can utilize this material to integrate entrepreneurship skills into their vo-tech program.

Substitute teachers will be made aware of this material available to them and in-service training will be provided in a workshop during the month of September.

ENTREPRENEURSHIP TEACHER COMMITTEE

Amo Cerminara
John Debbis
Valentine Dominick
Anthony Reis
Glenn Reis

- Coordinate all activities to integrate Entrepreneurship training at Parkway West School.

- Develop curriculum materials to be utilized as a resource by all Parkway West teachers who wish to integrate this into their curriculum.

ENTREPRENEURSHIP ADVISORY COMMITTEE

Al Cario	Sunrise Window Systems
Dave Urbaneck	Milos Beauty Supply
Paul Wolfe	A. L. Williams
Gail Wriggins	Girl Friday Employment Agency
Jan Bishop	Field Representative Center of Economic Education University of Pittsburgh
Jack Sheirer	Sheirer Machine Company

- Validate all activities and competencies included in this entrepreneurship program.

- Present information to our students during the career awareness or seminar phase in their areas of expertise.

- Approve the teacher's manual and student activity guide developed for this program at the beginning of the 1988-89 school year.

All Parkway West's twenty-two vocational-technical teachers presented the proposed Entrepreneurship program to their individual Occupational Advisory Committees and reported the information to the Entrepreneurship Teacher's Committee.

Materials Reviewed

The following curriculum and instructional materials were reviewed by the Entrepreneurship Teacher's Committee and the Entrepreneurship Occupational Advisory Committees and are integrated into this course content of this program.

PACE Modules - Level 1, Modules 1 through 18, The National Center for Research in Vocational Education, The Ohio State University

Small Business Management - 4th Edition, Raymond T. Hubbard and William D. Harles, Jr., Delmar Publishing 1988

Owning & Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, Joseph M. Cronin, State Board of Education, Development of Vocational and Technical Education, University of Illinois, June 1976

Entrepreneurship: A New Direction in Education, Indiana University of Pennsylvania, Michael Spewock, Project Director

IMPLEMENTATION

During the 1987-88 school year, the Entrepreneurship Teacher Committee implemented this project for the entire school. For the 1988-89 school year, the following methods will be used to continue this program:

1. On August 25, 1988, teachers will be provided copies of the Teacher's Manual and Student Activity Guide as well as in-service training on how to implement this planned course into their program.

2. During the month of September, an Entrepreneurship Occupational Advisory Committee meeting will be held to approve the Teacher's Manual and Student Activity Guide.

3. Special assistance will be available from the Teacher's Advisory Committee as well as the Occupational Advisory Committee to help and support teachers in the implementation phase of this program.

III. PROJECT SUMMARY

Background

Prior to the 1987-88 school year, Entrepreneurship training was only taught in courses that teachers had personal experience in owning their own business or had a specific interest to teach skills related to owning their own business. Few teachers believed that Entrepreneurship training is not a valid option upon graduation or indicated there was no time to incorporate these skills in their program. Due to the variation in the staff's background, the teacher's advisory committee agreed that some background information and a suggested plan and resources needed to be presented and available to the entire staff. Teachers needed to feel comfortable about the topic and be given some guidelines to follow for implementation of Entrepreneurship into their program.

Recommendations

As a result of our approach to integrate Entrepreneurship training in vo-tech programs, it is the consensus of the teachers and students that we offer the Career Awareness assembly every other year to all students for the purpose of providing background information, advantages and disadvantages of owning a small business, and identify characteristics that make an entrepreneur successful in the business world.

The second phase should be offered to all students but available only to those who are interested in pursuing this training as part of their career goal. This will allow maximum flexibility to teachers and students in obtaining a knowledge base for entrepreneurship training.

VI. **ATTACHMENTS**

1. PACE - Student Competency Inventory, Level 1

2. Sample Letter to the Entrepreneurship Occupational Advisory Committee Meeting on December 18, 1987

3. Calendar of Events for the Career Awareness Seminar for all Parkway West Area Vocational-Technical Students

4. Sample Program Agenda

5. Program Cluster Evaluation Summary

6. Application to Eight Day Seminar

7. Sample Letter to Students

8. Eight Day Program Agenda

9. Sample Certificate Given to Participants Who Attended All Eight Sessions

10. Entrepreneurship Evaluation - Eight Day Workshop

11. Scope & Sequence for the 30 Hour Entrepreneurship Planned Course

12. Student Competency Rating Chart

13. Directions for Teacher's Manual and Student Activity Guide

14. Teacher's Manual

15. Student Activity Guide

16. Bibliography

PACE REVISED
Program for Acquiring Competence in Entrepreneurship

STUDENT COMPETENCY INVENTORY

LEVEL 1

Unit 1 - Understanding the Nature of Small Business

____ 1. Define a "small business."
____ 2. Identify the different types of small businesses.
____ 3. Describe how small businesses contribute to the American way of life.
____ 4. Describe what role small businesses play in the American economic system.
____ 5. Identify the major factors contributing to the success of a small business.

Unit 2 - Determining Your Potential as an Entrepreneur

____ 1. Define entrepreneurship.
____ 2. Recognize the personal qualities and skills needed to be a successful entrepreneur.
____ 3. Compare the advantages of owning a business with the advantages of working for someone else.
____ 4. Assess your own ability to be a successful entrepreneur.

Unit 3 - Developing the Business Plan

____ 1. Identify the reasons for planning for entrepreneurship.
____ 2. Identify the components of a business plan.
____ 3. Complete a business plan worksheet.

Unit 4 - Obtaining Technical Assistance

____ 1. Discuss how technical assistance can help the entrepreneur.
____ 2. Identify the types of technical assistance needed by the entrepreneur.
____ 3. Know where to find technical assistance.

Unit 5 - Choosing the Type of Ownership

____ 1. Describe sole proprietorships, partnerships, corporations, cooperatives, and franchises.
____ 2. Identify examples from your own community of each of the types of business ownership.
____ 3. Describe the advantages and disadvantages of proprietorships, partnerships, corporations, franchises, and cooperatives.

Unit 6 - Planning the Market Strategy

____ 1. Discuss the economic concepts that influence marketing decisions.
____ 2. Identify important marketing activities.
____ 3. Explain how marketing aids business people and consumers.
____ 4. Define the terms "target market" and "marketing mix."
____ 5. Summarize the steps to be completed in developing a marketing plan.

Unit 7 - Locating the Business

____ 1. Explain the importance of selecting the right business site.
____ 2. Identify factors to be considered when selecting a business site.
____ 3. Determine advantages and disadvantages of different types of business locations (isolated, central business district, neighborhood, shopping center, etc.).
____ 4. Describe terms of occupancy contracts for a business.

Unit 8 - Financing the Business

____ 1. Explain the importance of financing in the success of a new business.
____ 2. List the different types of costs that must be considered when starting a new business.
____ 3. Explain the two major methods of financing a new business.
____ 4. Identify the various sources for obtaining financing for a new business.
____ 5. List the financial statements that should be included in a business plan.

Unit 9 - Dealing with Legal Issues

____ 1. Describe why a basic understanding of legal issues is important to the small business owner/manager.
____ 2. Define the term "contract."
____ 3. Identify the conditions that call for a written contract.
____ 4. Name and describe the five essential components of a contract.

Unit 10 - Complying With Government Regulations

____ 1. Summarize the importance of government rules and regulations to the individual entrepreneur.
____ 2. Classify legislation according to whom it is designed to protect.
____ 3. Explain at least three types of federal, state, and local taxes affecting small business.

Unit 11 - Managing the Business

____ 1. Explain the role of management in operating a business.
____ 2. List the steps involved in the decision-making process.
____ 3. Define and explain the functions of management.
____ 4. Identify rewards and problems of the management role.

Unit 12 - Managing Human Resources

____ 1. Define human resource management.
____ 2. Explain the importance of human resource management as it relates to the success of a business.
____ 3. Identify the various responsibilities that make up human resource management.
____ 4. Describe the obligations employers have to employees.

Unit 13 - Promoting the Business

____ 1. Define the concept of promotion.
____ 2. Compare the major methods of promotion used by small businesses.
____ 3. Describe the relationship between promotion and other business decisions.
____ 4. List the decisions that must be made when completing a promotional plan.
____ 5. Justify the importance of a public relations program for a small business.

Unit 14 - Managing Sales Efforts

____ 1. Discuss the role of selling in different types of small business.
____ 2. Define selling as stated by the American Marketing Association.
____ 3. Describe what salespeople need to know about their customers to be successful at selling.
____ 4. Describe what salespeople need to know about themselves to be successful at selling.

Unit 15 - Keeping the Business Records

____ 1. Identify the reasons for keeping business records.
____ 2. Identify the elements of a sound recordkeeping system.
____ 3. Describe the difference between a single-entry recordkeeping system and the double-entry system.
____ 4. Describe the uses of the checkbook in recordkeeping.
____ 5. Identify suitable recording forms for accounts receivable.
____ 6. Reconcile a bank statement.
____ 7. Develop a simple recordkeeping system for payroll records.

Unit 16 - Managing the Finances

____ 1. Explain the importance of financial management.
____ 2. Describe the components of a balance sheet.
____ 3. Differentiate between current and fixed assets—current and fixed liabilities.
____ 4. Describe the components of a profit and loss statement.
____ 5. Identify methods for calculating selected financial ratios.
____ 6. Identify sources of financial ratio data.
____ 7. Identify the activities associated with electronic data processing and financial analysis.

Unit 17 - Managing Customer Credit and Collection

____ 1. Identify reasons for offering credit.
____ 2. Consider basic policies to use for credit and collections.
____ 3. Determine your own rules for deciding about people who apply for credit (3 "C's" of Credit).
____ 4. Identify features of credit card plans.
____ 5. Identify basic types of direct credit plans.
____ 6. Determine how you can use a cost/benefit analysis for direct credit and credit card plans.

Unit 18 - Protecting the Business

____ 1. List the most common types of business crime.
____ 2. List other types of risk faced by entrepreneurs.
____ 3. Explain the need for protection against such risks.
____ 4. Discuss what entrepreneurs can do to protect themselves against risks and the losses they may cause.

Student's Name _____

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PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

R.D. 1, BOX 424, OAKDALE, PA 15071

TELEPHONE (412) 923-1772

DR. THOMAS M. TURNBAUGH, *Director*
DR. MARY D. RAVITA, *Supervisor*

JACK R. HIGHFIELD, *Adm. Assistant*
JOAN A. SMITH, *Business Manager*

December 7, 1987

Ms. Gail Wriggins
Manager
Girls Friday Employment Agency
6111 Steubenville Pike
Pittsburgh, PA 15260

Dear Ms. Wriggins:

I am writing this letter to thank you for your willingness to participate in our Entrepreneurship Program during the 2nd or 3rd weeks of January.

In order to provide some background information and format for this seminar, a meeting has been scheduled for all participants on Friday, December 18, 1987 at 1:00 p.m. in the Board Room of Parkway West School.

Information packets and discussion concerning the 1st session will be the objective for this meeting. Our staff is looking forward to working with you on this project.

Looking forward to seeing you on the 18th. Please contact me if you are unable to attend.

Sincerely,

Mary D. Ravita

Mary D. Ravita

MDR:ah

cc: Parkway West Entrepreneurship Committee

An Equal Rights and Opportunity School

MEMO TO: All Teachers

FROM: Mary D. Ravita

DATE: January 6, 1988

SUBJECT: Entrepreneurship Seminar

In order to provide Entrepreneurship Awareness to all the vocational-technical students, program clusters have been created and a presentation will be made by a successful entrepreneurer covering the following objectives:

1. Develop a definition of small business.
2. List advantages and disadvantages of operating a small business.
3. Describe two reasons why small businesses are important to economy.
4. Identify characteristics of successful entrepreneurs.

A group presentation will be held in the Conference Center in the J. C. Garlick building on the designated date. You and your students are to report promptly with pencil and paper.

The A.M. session will start at 9:00 A.M. - 10:15 A.M.

The P.M. session will start at 12:30 P.M. - 1:45 P.M.

Date	Cluster Program	Speaker
January 12	Air Conditioning, ECM, Carpentry, Masonry, Welding	Al Cario Sunrise Window Systems
January 19	Meat Cutting, Commercial Baking, Culinary Arts	Gayle Wriggins The Bagel Factory
January 20	Graphic Arts, Drafting, Electronics Technology	Gayle Wriggins Girl Friday Employment Agency
January 21	Accounting, Data Processing, Secretarial Office Procedures	Paul Wolfe A. L. Williams
January 22	Health Assistant, Cosmetology	Dave Urbaneck Milo's Beauty Supply
January 28	Auto Mechanics, Auto Body Repair, Machine Tool Technology	George Dorfner Brunner's Auto Station
February 2	Airlines, Marketing, Materials Management and Distribution	Russell Cersosimo Guardian Protection Services

MDR:ah

PARKWAY WEST AREA VOCATIONAL TECHNICAL SCHOOL

ENTREPRENEURSHIP

UNIT I — Understanding the Nature of Small Business

1. Develop a definition of small business.
2. List advantages and disadvantages of operating a small business.
3. Describe two reasons why small businesses are important to economy.
4. Identify characteristics of successful entrepreneurs.

PROGRAM/CLUSTER — Air Conditioning, ECM, Carpentry, Masonry, Welding

PRESENTER — Al Cario
Sunrise Window Systems

TIME — 9:00 A.M. - 10:15 A.M. Session
12:35 P.M. - 1:45 P.M. Session

PLACE — J. C. Garlick Conference Center

AGENDA

Welcome

Introduction

Experience in Small Business

Advantages and Disadvantages

Characteristics of an Entrepreneurer

Free Enterprise - "How Entrepreneurs Make it Work" (Video Tape)

RESOURCES

Free Enterprise Study Guide
Entrepreneurship Questionnaire
Pittsburgh Entrepreneurial Facts
Financial Independence - 1987

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP SEMINAR

I UNDERSTANDING THE NATURE OF SMALL BUSINESS

Program Cluster Summary.

1. Was the program worthwhile for students to provide an overview of entrepreneurship?

   - Provided alot of information.
   - Provided a good overview.
   - "Absolutely excellent".
   - Gave students a good insight into the management end of business.
   - Speaker stressed self improvement and goal setting.

2. What part of the presentation was most informative?

   - Video tape - "Free Enterprise at Work".
   - Details of the presenter's business venture.
   - I feel the whole presentation was very informative.
   - Speaker emphasized the importance of communication skills on the job.
   - Used personal experiences as an example.

3. What part was least informative?

   - Need to present a clearer picture of "how to finance the business".
   - The millionaires in the film.
   - Didn't feel the presenter was a good motivator.
   - Use a microphone or have speaker talk louder.
   - Tell speakers not to use statistics.

4. Were the handouts useful?

   - The questionnaire and free enterprise handouts were the most valuable.
   - They made the students pay attention to video.
   - Students enjoyed the business basics handout.

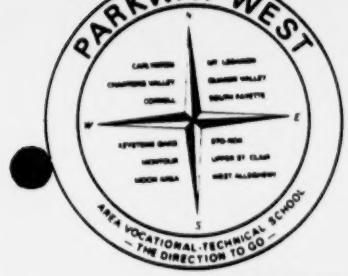
5. General comments from the students.

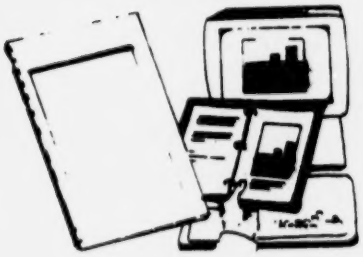
- Provided a clearer concept of the business world.
- Enjoyed the video and presenter's personal experience about her business venture.

6. Additional suggestions or comments.

- Use Parkway West graduates as presenters.
- Clustering the first unit for a good idea.
- If time permits - each program should have their own presentation - so specific regulations can be discussed.
- More time was needed to cover handouts.
- Have speakers interact with audience.

ah





ENTREPRENEURSHIP SEMINAR

DATE: * March 8, 9, 10, 11,
14, 15, 16, 17

TIME: 8:30 - 10:35 A.M. Session
12:30 - 2:30 P.M. Session

PLACE: Parkway West Area Vocational Technical School
Conference Center

TOPICS INCLUDE:
- Develop a Business Plan
- Describe Ownership and Legal Responsibility
- Promote the Business
- Start the Business
- Manage the Finances
- Develop Employee/Employer Relationships
- Protect the Business
- "Successful Entrepreneurs"

Proper dress required.

If you are interested, please complete the application below and return it to your teacher prior to February 1, 1988.

*Tentative

Name _____

Program _____ Session _____

Reason for attending the Seminar: _____

_____

_____

Teacher Recommendation _____

_____

Signature _____

PARKWAY WEST AREA
VOCATIONAL-TECHNICAL SCHOOL

R.D. 1, BOX 424, OAKDALE, PA 15071

TELEPHONE (412) 923-1772

DR. THOMAS M. TURNBAUGH, *Director*
DR. MARY D. RAVITA, *Asst. Director*

JACK R. HIGHFIELD, *Adm. Assistant*
JOAN A. SMITH, *Business Manager*

February 29, 1988

John Weyant
50 S. Vireo Drive
McKees Rocks, PA 15136

Congratulations!

You have been selected to participate in the eight day Entrepreneurship Seminar at the Parkway West Area Vocational-Technical School beginning on Monday, March 7 through Thursday, March 17, 1988. A copy of the agenda is attached for your review.

The seminar will be held in the Conference Center of the J. C. Garlick Building at Parkway West School.

Students are to report to their vo-tech teacher for attendance and then proceed to the conference center. Sessions start at 8:00 a.m. and 12:30 p.m.

Students are required to bring a notebook, pen and pencil. Proper dress and behavior is required. Students who do not adhere will not be permitted to attend.

We are looking forward to a very informative and interesting seminar.

Sincerely,

Mary D. Ravita

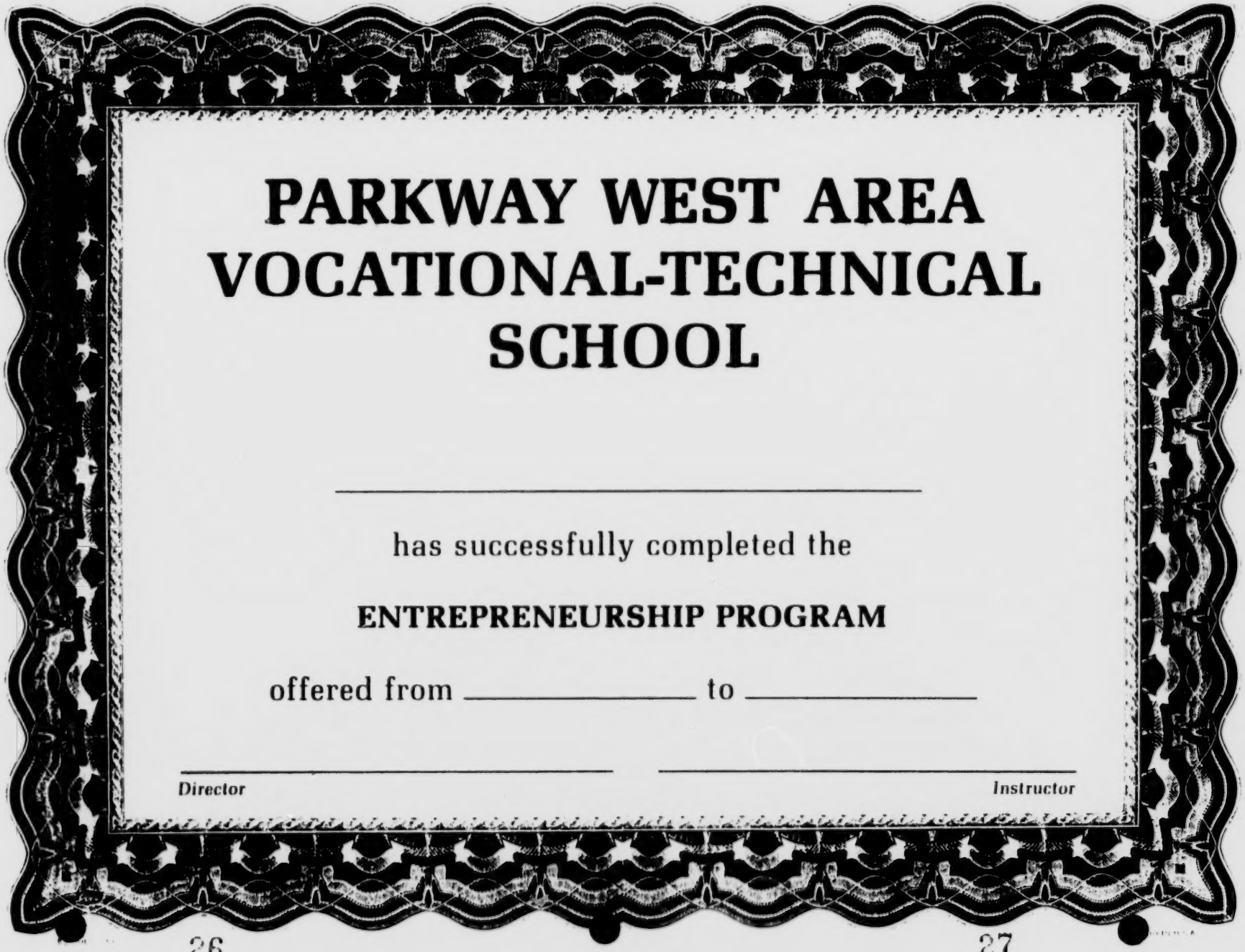
Mary D. Ravita

MDR:ajh

attachment

cc: James W. Brougher

March 7 (Monday)	Time Management	Mike Folino Priority Management
March 8 (Tuesday)	Writing a Business Plan	Cindy Iannarelli Small Business Development Center
March 9 (Wednesday)	Types of Ownership and Taxes for Businesses	Jewel Kelly Internal Revenue Service
March 10 (Thursday)	Financial Records	Paul Wolfe A. W. Williams
March 11 (Friday)	No class	
March 14 (Monday)	Selling and Promoting	Dave Urbaneck Milos Beauty Supply
March 15 (Tuesday)	Employee/Employer Relations	Al Cario Sunrise Windows
March 16 (Wednesday)	Obtaining a Loan	Joe Kruszewski Mellon Bank
	Starting Your Own Business in Pennsylvania	Don Gilcrist Department of Commerce
March 17 (Thursday)	"Successful Entrepreneurers"	
	AM Session:	Nick Scalise Juliano's Restaurant
		Judy Lacey Universal Printing
		Pat Soroco Financial Planning
		Dr. Annette L. Giovengo Moderator Center for Economic Education
	PM Session:	Nick Scalise Juliano's Restaurant
		Judy Lacey Universal Printing
		Bill Nadeja Bill Nadeja Construction
		Mrs. Jan Bishop Moderator Center for Economic Education



PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

_____

has successfully completed the

ENTREPRENEURSHIP PROGRAM

offered from _____ to _____

_____ _____

Director Instructor

20 Attachment 9

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP EVALUATION

TOTAL PRESENT (AM & PM): 68

TOTAL PARTICIPATION (AM-36 & PM-39): 75

TOTAL RESPONSE: 56

	5	4	3	2	1	NO RESPONSE
ORGANIZATION	34	16	4			2
OBJECTIVES	41	12	1			2
PRESENTATIONS						
TIME MANAGEMENT	55	1				
BUSINESS PLAN	28	18	8	1	1	
IRS	13	9	25	5	3	1
FINANCIAL RECORDS	20	19	10	4	2	1
SALES & PROMOTIONS	20	21	11			4
EMPLOYER/EMPLOYEE	29	14	6	3	2	2
OBTAIN A LOAN	19	20	7	4	1	5
DEPARTMENT OF COMMERCE	35	11	3	1		6
PANEL DISCUSSION	44	10	2			
HANDOUTS	40	13	3			
CONTINUE OFFER	50					6

SUGGESTIONS - IMPROVEMENTS

- Have two speakers per session
- Give everyone a certificate
- Have more audio visuals
- Keep to schedule (8:00 - 12:15)
- More student participation
- More days
- More information or laws, codes, licenses
- Spread paper work

COMMENDATIONS

- Time management
- Panel discussion
- Department of Commerce
- Speakers were willing to share experiences and knowledge
- Better understanding of opening your business
- Gained a lot of information
- Good handouts

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP

SCOPE AND SEQUENCE

UNIT AND TASKS		HOURS
I	UNDERSTANDING THE NATURE OF A SMALL BUSINESS	
	1. Develop a definition of small business	1
	2. Describe two reasons why small businesses are important to the economy	1.5
	3. List three advantages and disadvantages of operating a small business	1
	4. Identify characteristics of successful entrepreneurs	1.5
II	DEVELOPING A BUSINESS PLAN	
	1. Establish priorities and goals for a business	1
	2. Prepare a marketing strategy	2
	3. Develop a business plan	3
III	IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES	
	1. Identify the proper legal form for business organizations	1
	2. Define a contract	.5
	3. Comply with government regulations	1.5
IV	PROMOTING YOUR BUSINESS	
	1. Describe three techniques used in advertising for small business owners	3
	2. Demonstrate a successful sales presentation	2.5
	3. Explain two methods of pricing products and services	.5
V	STARTING YOUR OWN BUSINESS	
	1. Select a location for the business	.5
	2. Obtain financial and technical assistance	1.5

UNIT AND TASKS		HOURS
VI	MAINTAINING FINANCIAL RECORDS	
	1. Identify the elements of a sound recordkeeping system	1
	2. Develop a system for payroll records	1.5
	3. Identify basic policies to use for credit and collections	.5
VII	MANAGING EMPLOYER/EMPLOYEE RELATIONS	
	1. Develop selection and hiring procedures	2
	2. Develop an employee compensation plan	1
	3. Describe an appropriate evaluation system	1
VIII	PROTECTING YOUR BUSINESS	
	1. Identify the three types of insurance required by an entrepreneur	1
	TOTAL HOURS	**30**

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP

STUDENT COMPETENCY RATING SHEET

RATING SCALE

4 Skilled-can perform independently with no additional training

3 Moderately skilled-has performed independently during training program, limited additional training may be required

2 Limited practice-has practiced during training program, additional training is required to develop skill

1 Exposure only-general information provided with no practice time, close supervision needed and additional training required

0 No exposure-no information nor practice provided during training program, complete training required

STUDENT NAME: _____ INSTRUCTOR: _____

DATE: _____

COMPETENCIES

					I	UNDERSTANDING THE NATURE OF A SMALL BUSINESS
4	3	2	1	0		1. Develop a definition of small business
4	3	2	1	0		2. Describe two reasons why small businesses are important to the economy
4	3	2	1	0		3. List three advantages and disadvantages of operating a small business
4	3	2	1	0		4. Identify characteristics of successful entrepreneurs
					II	DEVELOPING A BUSINESS PLAN
4	3	2	1	0		1. Establish priorities and goals for a business
4	3	2	1	0		2. Prepare a marketing strategy
4	3	2	1	0		3. Develop a business plan

STUDENT NAME: _____ INSTRUCTOR: _____

DATE: _____

					III	IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES
4	3	2	1	0	1.	Identify the proper legal form for business organizations
4	3	2	1	0	2.	Define a contract
4	3	2	1	0	3.	Comply with government regulations
					IV	PROMOTING YOUR BUSINESS
4	3	2	1	0	1.	Describe three techniques used in advertising for small business owners
4	3	2	1	0	2.	Demonstrate a successful sales presentation
4	3	2	1	0	3.	Explain two methods of pricing products and services
					V	STARTING YOUR OWN BUSINESS
4	3	2	1	0	1.	Select a location for the business
4	3	2	1	0	2.	Obtain financial and technical assistance
					VI	MAINTAINING FINANCIAL RECORDS
4	3	2	1	0	1.	Identify the elements of a sound recordkeeping system
4	3	2	1	0	2.	Develop a system for payroll records
4	3	2	1	0	3.	Identify basic policies to use for credit and collections
					VII	MANAGING EMPLOYER/EMPLOYEE RELATIONS
4	3	2	1	0	1.	Develop selection and hiring procedures
4	3	2	1	0	2.	Develop an employee compensation plan
4	3	2	1	0	3.	Describe an appropriate evaluation system
					VIII	PROTECTING YOUR BUSINESS
4	3	2	1	0	1.	Identify the three types of insurance required by an entrepreneur

DIRECTIONS FOR USING THE ENTREPRENEURSHIP TEACHER'S MANUAL

The Teacher's Manual contains eight units of instruction. Each unit has the following components:

1. A Yellow Title Page
2. Introduction
3. Teaching Plans for Each Objective
4. Teacher Lecture Notes

The Teaching Plan identifies the unit, task, time allotted for each task, and a performance objective.

Class Activities list specific items to be presented by the teacher and completed by the students to meet this competency. The supplementary materials list resources available for teacher's to use for their presentation or students can read the material prior to group discussions. Copies of the supplementary materials are available in the teacher's folders in the Resource Room.

Procedures for Evaluation identify the ways a teacher can use to monitor student progress. If this objective is to be completed by all the students, 100 percent accuracy will be listed in the level of achievement. If less than 100 percent accuracy is needed, not all the students will be required to complete this objective.

The Entrepreneurship Student Activity Guide follows a similar format as the teacher's manual. Each unit has the following components:

1. A Yellow Title Page
2. List of Unit Objectives
3. Student Activity Sheet for each objective.

These guides are to be used as a supplement to your program.

Each vo-tech teacher must include specific areas of expertise from their field into their curriculum.

BEST COPY AVAILABLE

ENTREPRENEURSHIP TEACHER'S MANUAL

Understanding the Nature of Small Business

INTRODUCTION

Small business is a critical element in the social and political arena as America moves from an industrial society to an information society. This movement is only starting to unveil. The opportunity for small business growth is phenomenal and represents an era for self confidence, resourcefulness, and risk taking.

Entrepreneurs are not born, but they can develop and train through vocational-technical education. With the integration of entrepreneurship education into our programs, specific competencies will be identified to provide an overall awareness of entrepreneurship and to present a foundation in business management as related to future opportunities in vocational-technical education.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit I - Understanding the Nature of a Small Business

Competency/Task Develop a definition of small business. Time Allotted 1 hour

Performance Objective Given information on the nature of small business, the student will develop a definition of small business listing 2 of the 4 characteristics found in the literature.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Complete work sheet	Teacher's lecture notes - "Small Business - What Is It" Student activity sheet Speaker from the Small Business Administration	Teacher observation Student notebook	
2. Read essays related to small business.	Creating a New Enterprise (Roger W. Hutt) pp. 1-11. Starting Your Own Business: The American (Career World 12/5) pp. 3-11. How to start a business and turn dreams into reality (Pittsburgh Press - May,1987)	Questions/Answers pp. 12-17 Summary (one page) Discussion questions	All students will complete this objective with 100 percent accuracy.
3. Write a definition of a small business.		Essay - (one page) identifying 2 of the 4 characteristics	

UNIT I UNDERSTANDING THE NATURE OF SMALL BUSINESS

1. Develop a definition of a small business.

Small Business - What is it?

Small business is the part of our economic system that is characterized by individual "enterprise" or the willingness to try new things.

Examples include: grocery stores
janitorial services companies
bakeries
construction companies

A small business is one which is:

a. independently owned
b. not dominant in its field of operation
c. operated for profit
d. within the particular size standards for its industry or area.

Of more than 14 million business in the country, 99 percent are considered "small" business by the Small Business Administration Standards.

The four basic industries are:

1. **WHOLESALERS**

A. Buy goods from manufacturing enterprises and sell them to other business.

B. Buy in large quantities and sells in small quantities.

C. Supply many items sold in retail stores.

D. Examples include: groceries and hardware stores, gasoline stations

Size standards - less than 9 million dollars in annual sales.

2. **SERVICES**

A. Easiest to enter

B. Brightest future

C. Five categories:
   1. Personal (beauty shop, day care centers)
   2. Business (accounting, typewriting)
   3. Repair (plumbing, electrical)
   4. Entertainment (bowling alleys, theaters)
   5. Hotel and lodging

Size standards - less than 2 million dollars in annual sales.

3. **RETAILERS**

A. Largest group of small business

B. Sell goods directly to the consumer through a store location.

C. Examples include: floral, drugstore, restaurant, and jewelry stores.

D. Four categories:
   1. Over the counter
   2. Mail order
   3. Direct (door to door)
   4. Vending machines

Size standards - less than 2 million dollars in annual sales.

4. **MANUFACTURERS**

A. Take raw materials and changes them into a form that consumers can use.

B. Example includes: a baker changing flour, sugar and spices into pies and cakes.

C. Other examples include: automobile, bakeries, machine shop, local artisans.

Size standards - less than 250 employees.

An economy grows when new resources, or factors of production, are put to work. Land, labor and capital are the three basic factors to production. The fourth is entrepreneurship. Entrepreneurs are people of vision and originality who create new enterprises or business. They are the ones who

1. raise money
2. organize the business
3. manage the business

Factors most often cited as contributing to a successful small business venture:

1. The individual is experienced and competent.
2. Pre planning.
3. Feasible business idea.
4. Obtaining technical assistance.
5. Availability of sufficient capital.

Sources:

- Cronin, Joseph M.: Owning & Operating a Small Business Strategies for Teaching Small Business Ownership & Management, University of Illinois, June, 1976 pp. 8-9

- PACE Module (Ohio State University) Unit I Level 1 pp. 3-6

- PACE Module (Ohio State University) Unit II Level 1 p. 9

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit I - Understanding the Nature of Small Business

Competency/Task Describe two reasons why small businesses are important to the economy. Time Allotted 1 hour and 30 minutes

Performance Objective Given information on small business contributions to America, the student will describe two reasons why small businesses are important to the economy in a one page essay that reads in a logical order.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Read the handout	Teacher lecture notes - "Small Business Contributes to the American Economy"	Student notebook	
2. Review related articles and video tape.	Helping Small Businesses Make It (Edgar A. Persons) pp. 3-4 Video tape "Free Enterprise"	Summary (one page) Completion of worksheet Discussion questions	
3. Describe two reasons why small businesses are important to the economy in a one page essay.	"Clean Pittsburgh Air Symbolizes Economic Shift" May 10, 1987 New York Times "Workers-Illiteracy Harbinger of a Class Society?" May 10, 1987 The Pittsburgh Press	Essay (one page)	All students will complete this objective with 100 percent accuracy.

2. Describe two reasons why small businesses are important to the economy.

Small Business Contributes to the American Economy

The history of America's growth cannot be separated from the history of our small businesses. The businesses of the American colonists provided the economic freedom that made independence worth the fight. They provided the funds that supported the Revolutionary Army and the infant government of Washington, Jefferson, Adams, and the Founding Fathers. Small businesses resulted in the inventions of Thomas Edison, Ben Franklin, Eli Whitney, Alexander Graham Bell, and Henry Ford. In short, small businesses sparked both our capitalistic or "free enterprise" system of government and the rise of the American industrialist.

Recent small business contributions are no less impressive.

1. Independent small business entrepreneurs have been responsible for more than half of all the product and service innovations developed in the United States since World War II.

2. Nearly every major energy-related innovation in the past 100 years has been developed by small business. (electric car, the air conditioner, the gasoline engine, the electric light, gasoline, and transformers)

Without the large number of small businesses that provide jobs as well as consumer goods, citizens would be much more limited in their opportunities and choices. The result of socialism (in medicine and broadcasting) in England is a good example of how the lack of small, independent enterprise limits personal choice. The limitations created by Russia's communistic economy are another good example.

The growth of our economy is directly affected by the creativity and originality of those who open new small businesses.

JOSEPH SCHUMPETER'S theory traces the flow of goods and profit to show that new wealth in the economy is created when individuals establish businesses outside the circular flow of normal business transactions. In these businesses, the individuals establish new "combinations" by creating new products and services. Schumpeter calls these new combinations "enterprises" and the people who establish them entrepreneurs. (Schumpeter, Joseph - The Theory of Economic Development. Cambridge: Harvard University Press, 1949, p. 74)

Interesting Facts

1. Small businesses provide jobs for 47 percent of the American work force.
2. Firms with fewer than 20 employees generate 66 percent of all new jobs.
3. Small businesses provide products and labor for big business.

Most entrepreneurs in business are motivated primarily by a need to achieve. Many measure achievements through profits, or return on their investment. Without the hope of a reasonable profit, many individuals would stop creating new businesses. It is easy to see how our economic system and business community continuity are dependent on the profit motive.

DEMAND - is our desire and ability to spend our money for certain goods and services.

SUPPLY - refers to the quantities of a product offered for sale at a given time for a certain price.

Successful producers are those who keep offering the goods and services that buyers want. Supply and demand ultimately determine the levels of production and employment in our country, and account for the birth and death of companies and entire industries.

Source: PACE Module (Ohio State University)
Unit I - Level 1 pp. 3-4, 7 and 9

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit I - Understanding the Nature of Small Business

Competency/Task List three advantages and disadvantages of operating a small business Time Allotted 1 hour

Performance Objective Given the information, the student will list three advantages and disadvantages of operating a small business with 100 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Divide class into 2 groups and have each group identifying advantages and disadvantages.	Teacher lecture notes - "Advantages of a Small Business" Student activity sheet	Discussion	
2. Complete Critical Incident "Son In Law".	Owning & Operating a Small Business: Strategies for Teaching Small Business Ownership and Management (Joseph M. Cronin) pp. 12-15	Teacher observation	
3. Interview an owner of a small business.	Risks and Rewards of Entrepreneurship (Catherine N. Ashmore) pp. 16-17	Student notes and discussion	
4. List three advantages and disadvantages of operating a small business.	Career Skills - Student Activity Workbook (Joan M. Kelly and Ruth Volz-Patton) pp. 133-134	Test - listing advantages and disadvantages	All students will complete this objective with 100 percent accuracy.

3. List three advantages and disadvantages of operating a small business.

Advantages of a Small Business

1. Opportunities for personal relationships with customers and employers.
2. Able to adapt quickly to change.
3. Lower taxes.
4. Fewer government regulations.
5. Independence - want to be own boss
6. Build a family business opportunity
7. Supplement income.

Disadvantages of a Small Business

First two years of operation are critical.

SBA estimates that at least 90 percent of all small business failures can be attributed to bad management.

Reasons include:

1. Insufficient capital.
2. Unwillingness to seek information and assistance.
3. Failure to survive unexpected events.
4. Lack of experience.
5. Poor location.
6. Inventory mismanagement.
7. Poor credit granting practices.
8. Taking too much salary.
9. Not keeping personal and business funds separate.

Source: Cronin, Joseph M., Owning & Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, University of Illinois, June, 1976 pp. 8 & 11

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit I - Understanding the Nature of Small Business

Competency/Task Identify characteristics of successful entrepreneurs Time Allotted 1 hour and 30 minutes

Performance Objective Following a discussion on successful entrepreneurs, the student will identify 10 characteristics of successful entrepreneurs with 100 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Complete worksheet.	Teacher lecture notes - "Entrepreneurship" Student activity sheet	Discussion	
2. Discuss the video tape, "I Can Do It"	Video tape, "I Can Do It" by Stew Leonard	Discussion questions.	
3. Review related articles and materials.	"Entrepreneurship - Discover Yourself and Invest Your Future" (Jan Farrington) pp. 3-12 "Career Paths - The New Entrepreneurs" (Barbara Sherrod) pp. 11-14 "Risk Takers" (US News & World Report) January 26, 1987 pp. 60-67	Summary (one page).	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit I - Understanding the Nature of Small Business

Competency/Task Identify characteristics of successful entrepreneurs. (continued) Time Allotted

Performance Objective Following a discussion on successful entrepreneurs, the student will identify 10 characteristics of successful entrepreneurs with 100 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
4. Complete Entrepreneur Survey	Entrepreneur survey (University of Pittsburgh) Entrepreneurial characteristics (Catherine M. Ashmore) pp. 36-37	Teacher observation. Self evaluation.	
5. Complete Learning Experience II	"What are Your Personal Resources" (Michael Spewock) pp. 11-14		
6. Identify 10 characteristics of a successful entrepreneur.		Test - Identify 10 characteristics of successful entrepreneurs.	All students will complete this objective with 100 percent accuracy.

4. Identify characteristics of successful entrepreneurs.

Entrepreneurship

Each year thousands of individuals launch new business enterprises. By meeting the needs and desires of consumers, they build rewarding careers for themselves as entrepreneurs.

ENTREPRENEURS - refers to any person who owns and operates any enterprise.

ENTERPRISE - an establishment that supplies the public with goods and services in exchange for payment.

ENTREPRENEURSHIP - is the act of creating a new enterprise.

To create a new enterprise is to cause something to come into being. It requires three key skills:

1. Organization - process of getting the "resources" together.
2. Management - involves seeing day to day operations are in order.
3. Responsibility - the quality or state of being responsible

The needs of the marketplace change according to how developed a nation is and how well off its people are. Today's and tomorrow's entrepreneurs will have to anticipate these changing needs if they are to be successful. The health of our nation, now and in the future, depends on how healthy our economy is. Entrepreneurs are a vital part of our way of life and part of making our lives better.

It would be a mistake to assume that everyone can be a business owner. In addition to needing capital, suitable opportunity and motivation, there are personal characteristics of successful entrepreneurs that set entrepreneurs apart. They include people who are or have:

1. Tough minded - (not afraid to make decisions).
2. Willing to work long hours.
3. Self confident (not cocky or arrogant).
4. Good communicators and adapt in human relations skills.

5. Tenacity - ability to bounce back often a setback.
6. Flexibility - meet changing goals, pressures, technologies, and competition.
7. Creative
8. Goal setting - are in tuned with market needs and have vision for future possibilities.
9. Problem solving ability.
10. Profit motivated and understands the relationship of profit to the economy and efficient use of resources
11. Drive - enthusiasm, "self motivation and initiative.
12. Good health
13. Willing to take reasonable risks.
14. Technical or trade knowledge.

Facts About Entrepreneurs

1. Fifty percent of entrepreneurs are children of parents who own their own business.
2. Thirty-five percent are under age 30.
3. JOB EXPERIENCE - is the most important factor for men and women who start their own business.
4. Successful entrepreneurs have qualities such as determination, energy and the ability to learn from previous experience.
5. Have 5 to 8 years work experience.
6. Work 12 to 15 hours a day, 5 to 7 days a week to start business.
7. Over 50 percent start businesses related to previous employment.
8. Most fail due to poor management skills.

Developing a Business Plan

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INTRODUCTION

Future Entrepreneurers must plan and prepare for success by learning as much as possible about their vocational-technical field prior to going into business. James O. Pickard, Secretary of Commerce, provided an excellent rationale for the purpose of developing a business plan. He stated:

> "The importance of planning cannot be overemphasized. By taking an objective look at your business you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot problems before they arise, and begin planning how you can best achieve your business goals. As an operating tool, your business plan helps you to establish reasonable objectives and figure out how to best accomplish them. It also helps you to detect problems as they arise, identify their courses and may present ways to solve them. It may even help you avoid some problems altogether.
>
> No business plan, not matter how carefully constructed, will be of any use at all unless you use it. Going into business is rough. Over half of all new businesses fail within the first two years of operation. A major reason for failure is lack of planning. The best way to enhance your chances of success is to PLAN and FOLLOW THROUGH on your planning with action."

Source: Pickard, James O., Small Business Planning Guide, Pennsylvania Department of Commerce, p. 1

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Developing a Business Plan

Competency/Task Establish priorities and goals for a business. Time Allotted 1 hour

Performance Objective Given information on goal setting and planning, the student will establish priorities and goals for a business with a minimum of 85 percent.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Read and discuss articles on goal setting.	Goal-Setting and the Entrepreneur (Joseph M. Cronin) pp. 129-143	Discussion questions.	
	Setting Goals (Joseph M. Cronin) pp. 66-69		
	How to Make the Least of Planning (Joseph M. Cronin) pp. 145-148	Discussion questions.	All students will complete this objective with a minimum of 85 percent.
2. Complete the daily planner and establish daily priorities for one week.	Make Effective Use of Time (Michael Spewock) pp. 61-63	Daily planner.	
	"Goal Setting Tips" Transparency (Catherine M. Ashmore) p. 91	Discussion questions.	

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PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Developing a Business Plan

Competency/Task Establish priorities and goals for a business. Time Allotted

Performance Objective Given information on goal setting and planning, the student will establish priorities and goals for a business with a minimum of 85 percent.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
3. Write goals for the three critical incidents.	Uncle John's Chicken Shoppe University of Pittsburgh WAJP - (Joseph M. Cronin) pp. 46-47 Red Hots (Joseph M. Cronin) pp. 20-21	Discussion questions.	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Developing a Business Plan

Competency/Task Prepare a marketing strategy. Time Allotted 2 hours

Performance Objective After the discussion the student will prepare a marketing strategy for a business based on the market research and meeting two of the four guidelines for innovating ideas.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Explain what is a marketing strategy.	Teacher lecture notes - "Preparing and Marketing Strategy"	Discussion	
	Student activity sheet	Student notebook	
		Class Market Survey (Catherine M. Ashmore) pp. 48-49	
	"Researching the Market" (Michael Spewock) pp. 37-43		
2. Discuss generating business ideas based on community needs.	"Where Do You Get Your Business Idea?" (Catherine M. Ashmore) pp. 58-59		
	"What Business Ideas Can You Think of Related to Using Your Vocational Training?" (Catherine M. Ashmore) pp. 60-61	Personal Profile 9 Businesses Based on Your Vocational Experience	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Developing a Business Plan

Competency/Task Prepare a marketing strategy. Time Allotted

Performance Objective After the discussion the student will prepare a marketing strategy for a business based on the market research and meeting two of the four guidelines for innovating ideas.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
	"How Can Interests, Skills and Hobbies Lead to a Business Idea?" (Catherine M. Ashmore) pp. 62-63	Personal Profile 10 Businesses Based on Your Interests, Skills and Hobbies	
	"Why Should You Know Your Community" (Catherine M. Ashmore) pp. 66-69	Personal Profile 12 Market Area Changes	
	"Innovation - A Three Stage Approach" (Joseph M. Cronin) pp. 122-123	Guidelines for Evaluating Innovations (Joseph M. Cronin) pp. 148-150	
	"Analyzing Markets and Competitors" - Chapter 4 (Roger W. Hutt) pp. 81-102	Review questions	All students will complete this objective with a minimum of 85 percent.
	"Marketing the Product or Service" - Chapter 6 (Roger W. Hutt) pp. 129-152		

Preparing a Marketing Strategy

Marketing includes all of the activities involved in the exchange of goods and services between producers and consumers. Marketing activities must be done in such a way that everyone who participates in the exchange process is satisfied.

A business must be able to market its products so that it can make a profit and also satisfy its customers.

The marketing concept is a way of thinking about a business in terms of consumer needs and wants. This concept is based on three basic beliefs.

1. The business activities of an enterprise should be planned with consumers in mind.
2. Marketing efforts should be blended to fit the target market.
3. The enterprise should have profit as a goal.

Four elements of the marketing process are important to the new enterprise:

1. Determining what products or services that consumers need and want.
2. Providing products or services at suitable locations.
3. Providing products/services at prices consumers are able and willing to pay.
4. Informing and persuading consumers that the enterprise aims to serve them.

All marketing activities can be grouped within eight functions:

Product Development	Financing
Exchanging	Pricing
Transporting	Communication
Storing	Information Analysis

To market your products, you will have to complete each of these functions.

Product Development

The design and creation of a product is usually considered to be a manufacturing function. The people responsible for sales, transportation, and product storage often can be very helpful in product development.

Packaging is developed to protect the product until it can be used. Also, packaging is used for promotion. It attracts attention and provides information that will help customers make good decisions.

Branding is how customers can tell your product from your competitor's products.

Exchanging

Exchanging includes two main marketing activities: selling and buying.

Transporting

Transportation includes all of the product handling and product movement activities that occur between the time a product is manufactured to when it is sold.

Storing

Storage is having available space for your products, and that they are handled and kept in such a way that they are not damaged.

Financing

Financing is the investment of money in business activities. It will pay for the materials to produce products.

Pricing

Pricing - if a product or service is going to be purchased and used, producers and consumers must agree upon a price. The price must be fair to consumers so they get a good value for the money they are spending. A business must get at least enough money from the sale of products to cover all of its costs, but it should also make a profit when the products are sold.

Communication

Communication is telling people about your products and exchanging of information between buyer and seller.

Information Analysis

Marketing activities will not be as effective if businesses only send information to consumers. Consumers provide useful information to businesses as well. Several activities are used to gather information from consumers. It helps develop new products and improve current ones.

Benefits of Marketing Functions

It gives customers a greater choice of products and more information about each product.

An EFFECTIVE MARKETING PLAN contains two basic processes:

1. TARGET MARKET is a group of potential customers with similar needs that can be satisfied by the company. One way to accomplish this is through a customer profile.

   A customer profile describes the type of person whom you expect to buy your product or service.

   REMEMBER: You can't expect to establish a business that will be "all things to all people".

   To develop a customer profile, you basically want to know:
   - Whose needs do I hope to satisfy?
   - What needs do they have?
   - What kinds of people are most likely to buy from me?
   - What are their incomes?
   - How old are they?
   - What are customer buying habits?
   - How far away from the store do customers live?
   - How can I best serve customer needs.

2. MARKETING MIX is the combination of a product, its price, and the methods of distributing and promoting it that the business will provide for customers.

This plan is a business tool that helps you to plan and coordinate your marketing activities within a specific time line.

You must define the standards of performance, person responsible and a time line.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Developing a Business Plan

Competency/Task Develop a buisness plan. Time Allotted 3 hours

Performance Objective Given the necessary information, the student will develop a business plan containing four components within the standard format.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss developing a business plan.	Teacher lecture - "Developing a Business Plan" Student activity sheet Transparency - "The Business Plan" (The Ohio State University) p. 175	Student notebook	Student will complete the objective by 80 percent.
2. Develop a business plan.	Questions to be answered in a business plan. Sample Business Plan (The Ohio State University) pp. 162-167	Business plan checklist Business plan project	

DEVELOPING A BUSINESS PLAN

A business plan is a very important document to you as a future entrepreneur. This plan is required by agencies who might be considering in vesting or lending you money for your proposed business.

The business plan is a road map to owning and operating a small business. There are three major reasons for developing a business plan:

1. The process of putting a business plan together forces you to outline step by step procedures of what you want to do in your business.

2. A "finished" business plan will help you better manage your business and work toward its success.

3. The completed business plan is the means for communicating your ideas to others and provides the basics for your financing proposal.

"The importance of planning cannot be overemphasized. By taking an objective look at your business you can identify areas of weakness and strength, pinpoint needs you might otherwise overlook, spot problems before they arise, and begin planning how you can best achieve your business goals. As an operating tool, your business plan helps you to establish reasonable objectives and figure out how to best accomplish them. It also helps you to detect problems as they arise, identify their causes, and may present ways to solve them. It may even help you avoid some problems altogether.

The four basic parts of a business plan are:

1. Description of the business.

2. Marketing plan
   - What type of business are you planning?
   - List the product/services you plan to sell.
   - Where will the business be located?
   - Who will buy our product?
   - Where should we locate our business?
   - How can we attract customers?
   - What is the competition?
   - What advice do we need?

3. Organizational plan.
   - What is the legal form of organization for the business?
   - Do you have an organizational chart?

4. Financial plan.
   - How much profit can the business make?
   - How much money do you need to get the business started and to keep it going until you make a profit?

Income Statement - shows all the business transactions for a firm over a specified period of time.

Gross Profit - estimated sales minus cost of goods sold.
(Gross Margin)

Net Profit - gross profit minus operating expenses.

Estimated Sales - is all the money that customers are expected to spend on your business during the period covered by the income statement.

Cost of Goods Sold - dollar value of beginning inventory plus dollar amount of purchases minus dollar value of ending inventory.

Inventory - refers to the materials purchased by a business to produce goods or services, or it can mean the finished goods purchased for resale to customers.

Operating Expenses - summarizes the amounts paid out to keep the business running.

No business plan, no matter how carefully constructed, will be of any use at all unless you use it. Going into business is rough - over half of all new businesses fail within the first two years of operation. A major reason for failure is lack of planning. The best way to enhance your chances of success is to plan and follow through on your planning with action.

Identifying Types of Ownership and Legal Responsibilities

INTRODUCTION

The first critical decision an entrepreneur must make is to determine the legal form of organization for the business. Not only will the business grow and alter its operation over a period of time, but financial and tax situations may modify the advantages and disadvantages of the business organization. The purpose of this unit is to provide the student with information on identifying types of ownership and legal responsibilities.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit III: Identifying Types of Ownership and Legal Responsibilities

Competency/Task: Identify the proper legal form for business organizations. Time Allotted: 1 Hour

Performance Objective: Given a lecture, the student will identify the proper legal form for business organization with at least 80 percent on a written test.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Complete work.	Teacher lecture notes - "Identify the Proper Legal Form for Business Organization". Student activity sheet. Chart "Features of the Legal Forms of Business Organization" (Vivien King Ely), p. 119. Crossword puzzle - "Choosing the Type of Ownership" (PACE - Instructors Guide), p. 141.	Student notebook.	All students will complete this objective with at least 80 percent accuracy.
2. Read essays.	"Legal Forms of Business Enterprise" (Roger W. Hutt) pp. 106-114.	Chart - p. 122.	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN
(continued)

Program _____ Teacher _____

Major Division Entrepreneurship

Unit III: Identifying Types of Ownership and Legal Responsibilities

Competency/Task: Identify the proper legal form for business organizations. Time Allotted:

Performance Objective: Given a lecture, the student will identify the proper legal form for business organization with at least 80 percent on a written test.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
	"Buying an Existing Business" (Roger W. Hutt) pp. 24-26.		
	"Buying a Business From Scratch" (Roger W. Hutt) pp. 26-27.		All students will complete this objective with at least 80 percent accuracy.
	"Buying a Franchise" (Roger W. Hutt) pp. 27-30.	Chart - p. 46.	
3. Complete case study.	"The Good Deal" (Joseph M. Cronin) p. 41.	Questions for discussions.	
4. Complete the test.	Test		

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

1. Identify the proper legal form for business organizations.

OWNERSHIP

When you are planning to start your business, you have to decide which type of ownership would be best for your firm. The form of your business determines how it will be regulated and taxed by government agencies. Taxes, particularly federal income taxes are a major item of personal and business expense. The legal form of business you select could determine whether or not you make a profit. This is because different legal forms of organization are subject to different taxes.

Consider the following influences that determine the appropriate form of business for you.

1. Financial Assistance - Do you have enough capital to pursue your business venture or do you need assistance from other sources?

2. Managerial or Technical Skills - are you properly trained in all aspects of managerial or technical skills?

3. Limited Liability and Distributions of Risks - to what extent are you willing to take risks and accept the responsibility for each consequence?

The five types of ownership are:

- sole proprietorships
- partnerships
- corporations
- franchises
- cooperatives

Sole Proprietorship

A. The most common form of business organization.

B. It is usually operated by one person or a few family members.

C. Sole proprietors operate with very limited capital resources.

D. Beauty salons, bike repair shops, restaurants, and accounting firms are typical businesses that have sole proprietors.

E. Sole proprietorship is the least complicated form of business.

F. Sole proprietorship makes up about 78 percent of all businesses in the United States. Sole proprietorship requires little more than a location, expertise in the area of business considered, a source of capital, the ability to make contracts, and the desire to start your own business. Termination generally requires paying your debts and closing your doors.

Advantages

- You are your own boss.
- Greater freedom from government regulations.
- A tax advantage to the small owner.

Disadvantages

- Difficult to raise capital.
- Lack of assistance.
- Unlimited liability.

When one person capitalizes a business, using personal cash and loan dollars, the firm is legally called a **sole** (single) **proprietorship**. There is one owner and one person responsible for the business debts. This form of ownership may be quite appealing if you are truly filled with the entrepreneurial spirit. There are advantages to sole proprietorship because you, the owner make all decisions and keep all the profits. The organizational procedure is simple; obtaining licenses or permits for doing business is usually the only legal formality required. The government applies few regulations. You are free to operate and dissolve your business at will.

The single-ownership business income is taxed as income to the individual. The individual owner is not required to pay an income tax on the business separate from the personal income tax; therefore, the total amount of tax paid is considerably smaller than that paid on more complicated forms of business.

You should realize, however, that there are some disadvantages, although you may find them relatively unimportant. The individual owner often finds it difficult to be an expert in every phase of business, especially as the business becomes larger and more complicated. It follows that unless experts are hired as employees certain phases of the business may become dangerously weaker than others.

In the sole proprietorship, you and your business are one and the same in the eyes of the law, which means that you are personally liable for all claims against the firm. You may be forced to give up all your personal possessions to pay your debts if the business fails. The sole proprietorship is appealing to the person who has or can borrow the necessary capital, possesses the necessary knowledge and skills, and wants to keep things simple by staying fairly small.

Source: Ely, Vivien King and Michael T. Barnes, Starting Your Own Marketing Business 2nd Edition, New York: McGraw-Hill - 1978

Partnership

A. A partnership is a business that has two or more (usually not more than five) co-owners.

B. Law and medical firms are examples of partnerships.

Advantages

- More sources of capital.
- Possible tax advantages.
- Limited outside regulations.

Disadvantages

- Share profits.
- Difficult to raise additional capital.
- Difficult to find suitable partners.

The partnership offers a means by which equity capital from other persons can be added to the business with or without their sharing the business responsibilities and liabilities. In a **partnership**, more than one person contributes capital and/or entrepreneurship skills to the business.

In a **general partnership**, all partners are active in the business. Each partner contributes both capital and management time or skills and is responsible for business debts. The general partnership is easy to set up for it requires no official registration beyond licensing and registration of the company name. Each partner is taxed on his or her share at the personal income tax rate.

Although a written agreement between partners is not required by law, it is wise to have your attorney draw up a contract specifying the respective rights and duties of the partners. The contract should also provide for continuity of the business should one partner die or withdraw, since the partnership legally terminates in such an event. As with the sole proprietorship, partnership liability extends to the personal assets of the general partners.

In a **limited partnership,** investors may become partners without assuming unlimited liability. The limited partner usually risks only as much as his or her original investment and exercises only limited control over the activities of the partnership. There must be at least one general partner in the firm. In some states the business is required to file a certificate of limited partnership with all of the counties in which it intends to do business.

Source: Ely, Vivien King and Michael T. Barnes, Starting Your Own Marketing Business 2nd Edition, New York: McGraw-Hill - 1978

SMALL BUSINESS ADMINISTRATION
HARRISBURG BRANCH OFFICE
100 Chestnut St., Suite 309
Harrisburg, PA 17101

CHECKLIST OF POINTS TO BE CONSIDERED IN PLANNING A PARTNERSHIP AGREEMENT

1. Name of the Partnership.
2. Duration of the Partnership--number of years or "until dissolved".
3. Location of office.
4. Capital contribution of each Partner.
5. Whether Partners may make additional contributions.
6. The level at which Capital Accounts of the Partners must be maintained.
7. Participation of each Partner in profits and losses.
8. Salaries, if any, to be paid to Partners and whether or not these salaries are to be treated as expenses in determining distributable profits.
9. The amounts of any regular drawings against profits.
10. Duties, responsibilities, and sphere of activities of each Partner.
11. Amount of time to be contributed by each Partner.
12. Prohibition of outside business activities by Partners that would be in competition with the Partnership business.
13. Who is to be the managing Partner and whose decision will prevail in case of a tie or a dispute?
14. Procedure for admitting new Partners.
15. Methods of admitting Junior Partners, without capital, if such a procedure is to be considered desirable.
16. Method of determining value of Goodwill in the business--in case of death, incompetence, withdrawal of a Partner, or dissolution of the Partnership for any reason.
17. Method of liquidating the interest of a deceased or retiring Partner.
18. Age at which a Partner must withdraw from active participation and arrangements for adjusting his salary and equity.
19. Whether or not surviving Partners shall have the right to continue using the name of a deceased Partner in the Partnership Name.
20. Period of time in which retiring or withdrawing Partners may not engage in a competing business.
21. Basis for expulsion of a Partner, method of notification of expulsion, and the disposition of any losses that arise from the delinquency of such a Partner.
22. How will the event of protracted disability of a Partner be handled?
23. Whether Accounts are to be kept on a Cash or Accrual basis. If on the Cash basis, the method of compensating Partners who withdraw or retire for income realized on services rendered, but not invoiced, at the time of their withdrawal or retirement.
24. The Fiscal Year of the Partnership.
25. Whether or not interest is to be paid on debit and credit balances in the Partners' accounts.
26. Where the Partnership cash is to be deposited and who may sign checks.
27. Whether or not all Partners shall have access to the Books of Accounts.
28. Under what conditions Limited Partners may be accepted into the firm; and, if so, who shall be designated as the General Partner.
29. Prohibition of Partners pledging, selling, hypothecating, or in any manner transferring their interest in the Partnership, except to other Partners.
30. Identification of material contracts/agreements affecting the liability or operation of the Partnership.

Commonwealth of Pennsylvania
Department of State
Harrisburg, PA 17120
(717)787-1978

Robert P. Casey
Governor

James J. Haggerty
Secretary of the Commonwealth

Wayne L. Dietrich
Director, Corporation Bureau

PROCEDURE FOR FORMING A LIMITED PARTNERSHIP

The Pennsylvania Department of State is the granting authority for all Limited Partnerships and is the storehouse for those papers and other related Limited Partnership papers. In order to form a limited partnership in Pennsylvania:

1. Prepare a Limited Partnership Certificate in the proper format, as prescribed in Title 59, Pa. C.S. 512, and exemplified in the form DSCB:59-512 (Certificate of Limited Partnership). The certificate must be signed by all partners or a power of attorney for those partners not signing.

2. Send the following documents to the Secretary of the Commonwealth, James J. Haggerty, Room 308, North Office Building, Harrisburg, PA 17120, either by mail or in person:

   a. Limited Partnership Certificate - the certificate will be filed and returned immediately upon receipt by the Bureau.

   b. A $75 check, draft or money order payable to the Secretary of the Commonwealth in payment of the filing fee.

3. The Secretary of the Commonwealth will review, microfilm and return the original or a copy of the Certificate.

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Corporation

A. The corporation is chartered by a state and is characterized by three or more owners. It is given the power to transact business, to enter into contracts, and to sue or be sued as a legal entity.

B. The owners of a corporation are stockholders. After the corporation has been chartered, the stockholders must elect a board of directors. The board of directors appoints the officers or managers of the business.

Advantages

- Limited liability.
- Easier to raise money and obtain credit.
- Greater variety of skills, abilities, and ideas are available.

Disadvantages

- Complicated and expensive to operate.
- Sharing profit.
- Double taxation.
- Higher rate of taxation.

A **corporation** is an artificial being--a legal form of organization--created under the laws of the state in which it is chartered. In the eyes of the law, the corporation is an individual. Like an individual, it can make contracts, borrow money, own property, and take (or be subject to) legal actions. The owners are liable, in case of legal suits connected with operating the business, only for the amount of money they have invested in the firm.

Besides the limited liability feature, corporations can be attractive if you need more capital than you can reasonably borrow. Capital can be accumulated from many sources; sale of common or preferred stock, loans, and by stockholders reinvesting profits from the business. Thus, ownership can be widespread while management continues to be concentrated among a small group of major stockholders. The increased number of owners will usually produce increased publicity and goodwill for the corporation.

In the small corporation, however, the advantage of limited liability is often eliminated in the case of business debts. It is customary to require that the major stockholders guarantee or endorse all notes due to banks and to major suppliers.

The life of a corporation is not affected if stockholders withdraw since the expected life of the corporation is specified in the charter and the business legally continues to exist despite changes in ownership. Shareholders who wish to leave the corporation merely need to sell their stock to another person.

In spite of its advantages in terms of increased equity, limited liability, and continued existence, the corporation is subject to increased government regulation. It is also subject to more reports and recordkeeping than are the sole proprietorship or partnership forms of organization. The owners of shares in a corporation are actually subject to a sort of double taxation, since the company itself is taxed as an individual and its stockholders also must pay income tax on all the dividends they receive.

State governments have departments whose primary responsibility is to issue charters to corporations and to regulate them. To organize a corporation, you must file a certificate of incorporation with that department. The certificate is an application requesting the privilege of operating as a corporation and it must be signed by three or more persons who serve as officers of the organization. Once the certificate has been approved, it becomes the charter of incorporation.

Subcharter S Corporation

The Internal Revenue Code calls this form of business organization the Small Business Corporation but it is commonly called Subchapter S corporation for the section of the code which describes it. Subchapter S (or tax electing) corporation combines some advantages of the corporate form of organization with some of the advantages of partnerships. The Internal Revenue Code permits a closed corporation (one with up to 10 shareholders) to avoid corporate taxation by having each shareholder report his or her share of the corporate income and any dividends received on an individual tax return. The corporation itself files only an information return just as a partnership does. Using the Subchapter S corporation legal form provides the small business with the advantages of the corporation without the double-taxation disadvantages for its shareholders.

Source: Ely, Vivien King and Michael T. Barnes, Starting Your Own Marketing Business 2nd Edition, New York: McGraw-Hill - 1978

Cooperatives

A. A cooperative is an organization of individuals with similar interests and problems who have joined together to perform certain activities.

B. Cooperatives are NOT a legal form of ownership, but they do represent a business structure owned and directed by its members.

C. A cooperative is financed by selling shares to its members, to whom it distributes its profits.

D. Farming, food co-ops, credit unions, mutual insurance associations and group health co-ops are typical of cooperative business ventures.

Franchise

A franchise is basically a contract to distribute and sell a parent company's goods or services in a specified geographic area. In recent years franchise businesses, especially in the food service industry, have grown rapidly. When you buy a franchise, you buy an established business concept and the right to operate the business. Your local business becomes a member of the parent company's chain of franchises. The parent company gives you use of name, advertising, training, and other services. There are about two thousand different chains of franchise businesses in the operation in the United States.

There is usually less risk involved in opening a franchise - than in opening a totally new, individual business. Still, you must be cautious - there are some disadvantages. The expense of buying the franchise and continuing the operation will take a huge bite out of the profits. The franchise contracts are complex, and it is sometimes difficult to meet all the requirements imposed by the company. Increases in the fees can drive many people out of the business. Another disadvantage is that you get little personal recognition as a franchise owner.

FRANCHISOR is the parent company.

FRANCHISEE is the individual who buys the franchise.

Advantages

- Provide an opportunity to own your business but lack the expertise and facilities to do so.
- Has a product or service that usually has prior public acceptance.
- Better than average profit margins.

Disadvantages

- Must follow rules of parent company.
- Must maintain certain standards of service.

Source: PACE - The Ohio State University - Module 5, pp. 3-11

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit III: Identifying Types of Ownership and Legal Responsibilities

Competency/Task: Define a contract. Time Allotted: 1/2 Hour

Performance Objective: Given the information, the student will define the term contract by listing the five essential components of a contract with at least 95 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Complete the work sheet.	Teacher lecture notes - "Contracts". Student activity sheet.	Teacher observation. Student notebook.	
2. Review textbook information.	"Contracts" - Small Business Management, 4th Edition pp. 252-273		
3. Write a definition of a contract.		Essay (one page) identifying the five essential components of a contract.	All students will complete this objective with 95 percent accuracy or better.

2. Define a contract.

CONTRACTS

The small business owner needs to know how to deal with legal issues. The proper handling of legal issues can help contribute to your business success. Improper handling of these issues can cause business failure.

Contracts are a mutual agreement made between two or more persons that is valid and enforceable by law.

All contracts do not have to be written to be legal. Oral contracts can be enforced if their terms can be established in a court of law. It is advised that contracts be written to avoid problems in the future.

A written contract is advised when the following conditions are present:

1. When money is involved.
2. Any contract for the sale of land or an interest in land.
3. Any contract that will not be performed within one year.
4. A promise by one person to pay the debt of another.
5. Any contract that involves the purchase of real property valued at $500 or more.

The five essential components of a contract are:

1. Agreement
2. Consideration
3. Contractual capacity
4. Legality
5. Reality of consent

Contracts that are enforceable by law have these five items:

1. Agreement

Agreement occurs under the following conditions:

A. An offer is made. (An offer is a proposal that expresses a desire to enter a legally binding agreement.

B. The offer is followed by acceptance. (Acceptance occurs when the party to whom an offer has been made agrees to the proposal.)

C. The offer and the acceptance create a reasonably definite understanding between the parties who are involved in the contract.

Other important conditions:

Intent to Contract - means that all parties must want to enter into to contract and to meet the terms of the contract.

Reasonable Definiteness - means that the terms have to be specific enough to determine when the parties to the contract have lived up to their promises.

Communication

2. Consideration

Something of value that is given to the offeror by the offeree.

Will the person bringing suit suffer a detriment (loss or damage) if the contract is not carried out?
Has the person already suffered a loss?
If the answer is yes, the courts will hold that consideration existed.

3. Contractual Capacity

All parties to the contract must be able to make legally binding agreements. Individuals who have the capacity to contract are known as competent parties.

4. Legality of Purpose

A contract must be legal in its objective. It must not be contrary to the interest of society in its formation, purpose, and performance. And a contract in violation of the law is not enforceable.

USURY is a term that refers to charging excessively high interest rates.

5. Reality of Consent

FRAUD is deception with the intent of misleading another person. Sometimes, silence can constitute fraud.

MISREPRESENTATION is a false statement of fact. It is made innocently without an intent to deceive another person.

Source: PACE, The Ohio State University, Unit 9, pp. 4-13

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit III: Identifying Types of Ownership and Legal Responsibilities

Competency/Task: Comply with government regulations. Time Allotted: 1 Hour 30 Minutes

Performance Objective: After receiving the information, the student will comply with government regulations by completing the checklist with 100 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review the information.	Teacher lecture notes - "Complying With Government Regulations".	Student notebook.	All students will complete this objective with 100 percent accuracy.
	"Starting a Small Business in Pennsylvania".		
	View the videotape on "IRS - Taxes for Small Businesses", Jewel Kelly.	"Small Business Tax Workbook - IRS", May 1987.	
	General Taxes		
	"Tax Guide for Small Business - IRS Publication 334", Revised November, 1987	Checklist for Going Into Business.	

3. Comply with government regulations.

COMPLYING WITH GOVERNMENT REGULATIONS

Many government regulations affect how small businesses are run. These regulations may require the owner to get a business license, buy special machines, give certain information to customers, or pay taxes. Government regulations are made by people at the federal, state, and local levels. The regulations affecting small businesses are always changing, and, it seems, they are becoming harder to understand.

Even though government laws may increase the work of small business owners, they exist to protect everyone involved in business.

Owners of small businesses say two things about government regulations. First, they often are surprised by the number of forms and reports they have to fill out. Second, the cost of completing the paperwork and following the rules is often more than they at first think.

FEDERAL REGULATIONS

Federal laws are passed to protect employees, the environment, and consumers. They promote fair competition among businesses as well as control licensing and permits.

Federal laws passed to encourage fair competition:

- Sherman Antitrust Act
- Clayton Act
- Robinson-Patman Act

Laws to Protect Employees

- The Equal Employment Opportunity Act
- Fair Labor Standards Act
- Occupational Safety and Health Act
- National Labor Relations Act

Laws to protect consumers that deal with unsafe products, false advertising, and truth in giving credit:

- Food, Drug, and Cosmetic Act
- Fair Packaging and Labeling Act
- Wheeler-Lea Act
- Truth-in-Lending Act

Laws to protect the environment:

- Environmental Protection Agency (EPA)

Licenses and Permits

A business license or permit is formal permission to operate a business.

BUSINESS TAXES

All businesses pay taxes. No matter what type of product or service you sell or when and how you sell it, one must pay federal, state, and local taxes. Tax rates and regulations constantly change. If a new entrepreneur can afford it, they should hire a qualified tax accountant.

FEDERAL TAXES

The Internal Revenue Service publishes The Employer's Tax Guide that informs business owners of changes in the tax requirements.

Employee income tax, social security tax, excise tax, and unemployment taxes are a few examples of taxes a business owner pays to the federal government.

Income tax forms and laws change. A general understanding of taxes and forms should be acquired by any prospective entrepreneurer.

PENNSYLVANIA

There are a number of taxes in the Commonwealth which are imposed upon individuals, employers, businesses, and certain products. The taxes for which any business enterprise is liable depend on the type and structure of that business. Private tax practitioners and financial advisors are independent sources of information regarding taxes, and the Small Business Action Center can expedite tax related problems with the Department of Revenue.

Unemployment tax, state income tax, and sales tax are a few examples of state taxes one pays as a business owner.

LOCAL TAXES

Real estate and property taxes are typical local taxes one pays as a business owner.

Promoting your Business

INTRODUCTION

A good plan for promoting your business is critical to a small business because it can be one of the most effective tools in the intensely competitive struggle which characteristics small business today. It offers a creative and effective approach that a business owner can use to bid for his fair share of this market in the face of stiff competition and rising costs.

Promotion is not an end in itself, but rather, it is a means of providing customers with convincing reasons why they should patronize your business.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division _____

Unit Promoting Your Business

Competency/Task Describe three techniques used in advertising for small business owners. Time Allotted 3 hours

Performance Objective After reviewing the information, the student will describe three techniques used in advertising for small business owners by listing at least key point of each technique with ninety percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes.	Student activity sheet.	
2. Review textbook information.	Unit 11 - Marketing and Small Business, Small Business Management, "Advertising", pp. 295-302.		
	Unit 11 - Marketing and Small Business, Small Business Management, "Sales Promotion", pp. 302-313	Unit quiz. pp. 318-322	All students will complete this objective with 90 percent accuracy.
3. Read supplementary articles.	"Soft Sell Marketing Newsletters: An Easy Way to Keep Your Customers". Richard G. Ensman, Jr. Entrepreneur, March, 1988. pp. 36-40.	Discussion.	

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TEACHING PLAN

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Performance Objective After reviewing the information, the student will describe three techniques used in advertising for small business owners by listing at least key point of each technique with ninety percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
(3. continued)	"Advertising and Selling Methods", Getting Down to Business - Student Version, The Vocational Studies Center, University of Wisconsin, pp. 61-66.	Learning activities 67-68.	
4. Write an advertisement.	"Advertising as Practiced by Selected Small Business"		
	"Writing an Advertisement", Learning Experience III, Michael A. Spewock, pp. 100-102.	Student ad.	
5. Select appropriate media.	"Which Media Should be Used for Advertising?", Owning and Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, J. Cronin, 1976, p. 95.	Johnson's Sporting Good Case Study, p. 98.	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division _____

Unit Promoting Your Business

Competency/Task Describe three techniques used in advertising for small business owners. Time Allotted

Performance Objective After reviewing the information, the student will describe three techniques used in advertising for small business owners by listing at least key point of each technique with ninety percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
6. Describe three techniques used in advertising.		Write an essay.	

UNIT IV PROMOTING YOUR BUSINESS

1. Describe three techniques used in advertising for small business owners.

Promotion is all of the activities of a business that inform customers about products and services. Examples include: displays, brochures, advertisements, and posters.

Business owners must not underestimate the importance of promotion. Customers need to have information (true and factual) that will help them make good buying decisions. Good promotions can help business owners attract new customers and keep old customers returning for services and additional sales through increased sales, sustained sales volume and reduced selling costs. The secret to good results is not so much the amount of money budgeted for promotion, but how it is spent.

ADVERTISING

Promotions directed at large numbers of people through media provides basic information about your business and products (radio, TV, newspapers, direct mail, outdoor displays). These methods reach a large number of people. Each business must determine the type of advertisement that is most appropriate to the particular identity or image one is hoping to establish in the public mind.

The written or spoken words of an advertising message are contained in **advertising copy**. The **media** are the carriers of the advertising message, such as newspapers, radio, magazines, and television. You should look for the most effective means to carry your message to your target market. Ask media representatives for information about their services and what results you can expect for your money.

The two types of advertising are product and institutional. **Product advertising** features specific products and services for the purpose of creating immediate sales volume. An advertisement for jogging shoes is an example. **Institutional advertising** focuses on the enterprise itself and is designed to create a favorable image and to build goodwill. For example, a retail store may advertise that it offers many customer services.

Entrepreneurs may attempt to achieve these goals through advertising:

* Encourage potential customers to visit stores or showrooms.
* Explain how products can be used.
* Announce the availability of parts or services.
* Invite requests for catalogs.
* Introduce new products or services.
* Explain new uses for old products.
* Encourage requests for samples of products
* Depict the entrepreneur as a good citizen in the community.
* Explain product or service warranties.
* Announce locations where the enterprise's products or services may be purchased.

To plan an advertising program, you must identify the goals you want to achieve. Then you can choose the messages and media that will help reach the goal.

Because you may not have much money to spend, try to get the maximum value for each dollar of advertising. To do this, you must first determine how much you will spend on advertising in the first year. Then check this against what similar enterprises spend. Trade associations usually have this information. In new enterprises, advertising expenditures are often slightly above average for the line of business. If the figure is too high, adjust it to fit your budget.

SALES PROMOTION

Sales promotion includes all those activities which are designed to build sales by supplementing advertising and personal selling. Sales promotion activities are directed toward your customers, whether they are individuals or other businesses.

Sales promotion activities designed for consumers include coupons, in-store product demonstrations, free samples, store counter and window displays, contests, and information booklets.

Various services that one business performs for another are a type of sales promotion. The purpose of these services is to encourage retailers or dealers to carry certain products. Examples include booths set up at trade shows, free merchandise, training programs for salespeople, installing displays, sales manuals, and other selling aids.

Source: Hutt, Roger W., Entrepreneurship, Starting Your Own Business, Cincinnati: South Western Publishing Company, 1988, p. 141-142

Due to limiting funds, an entrepreneur must plan carefully to obtain maximum effectiveness from promotional funds. In other words, the effectiveness of a limited budget can be greatly strengthened if the promotional goals are planned in relation to the total merchandising and selling program.

Promotional planning involves five steps. Each of the following decisions should be made before any promotion is done:

A. Who is the receiver of your communication?

B. What information do customers need to make a good decision?

C. What promotional method will be most effective to get your message to the customer?

D. What type of media is the most cost effective?

E. What time line do you need to meet in order to get this information out?

When doing a promotional plan, keep in mind these basic principles:

1. keep it simple and easy to understand,

2. clear and concise,

3. it must be practical and realistic goals,

4. it must be adaptable to change,

5. it must be comprehensive, and

6. identify responsibilities clearly.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Promoting Your Business

Competency/Task Demonstrate a successful sales presentation. Time Allotted 2 1/2 Hours

Performance Objective After reviewing the information, the student will demonstrate a successful sales presentation with at least an 85 percent on the sales demonstration rating sheet.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes. Transparency "What Motivates People to Buy".	Student activity sheet.	
2. Read related articles.	"Ideas, 10 Ways to Sell Them" Robert J. Tiernan, Nation's Business, June 1965. "Salesman Are Born and Made", Scott Matules, Entrepreneur, February 1988, pp. 35-38.	Discussion questions.	All students will complete this objective with 85 percent accuracy.
3. Review textbook	Unit 11 - Marketing and Small Business, Small Business Management, "Selling", pp. 290-293. Video tape of Dave Urbanek, "Selling and Promoting in a Business"		

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Promoting Your Business

Competency/Task Demonstrate a successful sales presentation. Time Allotted

Performance Objective After reviewing the information, the student will demonstrate a successful sales presentation with at least an 85 percent on the sales demonstration rating sheet.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
4. Demonstrate a successful sales technique.	Self Analysis, "Are You a Salesperson?", Instructors Guide, PACE Module, Level 1 pp. 143-148.	Evaluation chart. Textbook, p. 294.	All students will complete this objective with 85 percent accuracy.

2. Demonstrate a successful sales presentation.

The American Marketing Association defines selling as "the personal or impersonal process of satisfying and persuading a prospective customer to buy a commodity or service, or to act favorably on an idea that has commercial significance to the seller". Selling is helping customers make decisions. Personal selling is the process of helping customers fulfill their needs in a face-to-face situation.

For a business to be successful, it must sell.

Good sales techniques convince customers of their need for a product or service. Assisting customers, treating them fairly, and being courteous are three good techniques.

WHAT MOTIVATES CUSTOMERS TO BUY?

This has been an important question to people in sales for many years. Many believe that buying decisions are influenced by the customer's basic needs and secondary wants. Also, the strength of the basic need or secondary want is influenced by the thinking of the customer at the time of the sale. In other words, is the customer thinking rationally or emotionally?

Basic needs are things such as food, water, freedom from danger, security, and so on that are essential to people. Secondary wants are generally buying motives that are learned. These may include such things as the desire for a bargain, convenience, dependability, or style.

Included in secondary wants are rational and emotional buying motives. Rational motives include such things as the durability, reliability, and cost of a product. Emotional motives include such characteristics as status, pride, and self-image.

The following chart should aid you in understanding the relationship of these buying motives.

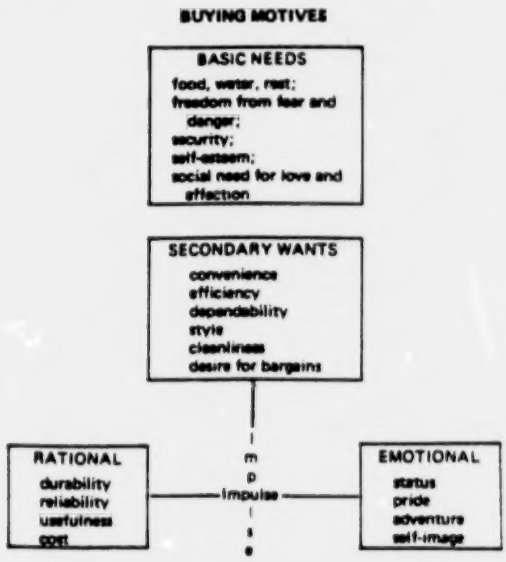

Figure 1. Purchases for basic needs and secondary wants are influenced by rational and emotional motives. These motives determine which store a customer will patronize.

(Taken from: Samson, Harland E.; Lillis, Wayne G.; and Wingate, John W. *Retail Merchandising: Concepts and Applications*. Cincinnati, Ohio: South-Western Publishing Company, 1982)

Source: PACE Module, Unit 14 - Level 1, "Managing Sales Effort", Ohio State University, p. 5

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Characteristics of Successful Salespeople

1. Ability to get along well with people.

2. Desire to serve others.

3. Make every effort to satisfy the customer.

4. Adjust their selling technique to the buyers personality.

5. They are dependable.

6. Ability to communicate.

REMEMBER, there are salespeople
who make things happen,
who watch things happen,
and those who wonder what happened.

Good salespeople make things happen.

Important things to remember for a good sale:

1. Both buyer and seller win if it's a good sale.

2. The process leading to a good sale starts before you see the customer, and continues long after the customer is gone.

3. See how you can change people by selling them the right way, and wind up with their money and their business.

REASON WE NEED PRODUCT KNOWLEDGE

Builds Enthusiasm
Gives us Courage
Personal Satisfaction
We Can Talk Confidently With Experts
Enables us to Answer Objections Effectively
Gives us Self-assurance
Gains the Confidence of Prospects
More you Know, the More Advantages to Users you Will Discover
Helps us Meet Competition Effectively

FIVE STEPS OF THE SELLING PROCESS

Attention
Interest
Conviction
Desire
Close

Great Rule 1: ATTENTION

Get your prospect's attention by talking to him briefly about something in which he is interested.

Reliable Attention-Getters

1. The question opener
2. The startling statement or explosion type of opener
3. The mystery opener
4. The famous-person or big-name opener
5. The exhibit, or "here we have", attention-getter
6. The gift attention-getter
7. The "referral" attention-getter
8. The insult
9. The compliment
10. The news item, or "it just happened"
11. Helpful suggestions

Rules for Gaining Attention

Rule 1. Give heed to your personal appearance.
Rule 2. Never start with an apology.
Rule 3. Get your prospect saying "yes".
Rule 4. Don't use the "I just happened by" introduction.
Rule 5. Make your attention-getter brief.

Rule 6. Never force prospects to shake hands.
Rule 7. Try to sit or stand reasonably close to your prospect.
Rule 8. Don't loll or sprawl in your chair.
Rule 9. In general, do not smoke while you are making a sales talk.
Rule 10. Avoid talking to your prospect when others are present.
Rule 11. Smile.
Rule 12. Don't try to be too clever in your opening.
Rule 13. Get the prospect's name right.
Rule 14. Avoid over-used openers.
Rule 15. Arouse curiosity.

Don't Do These "Don'ts"

1. Don't lie or cheat to get attention.
2. Don't start with a joke--unless it's at your expense.
3. Don't be loud or boisterous.
4. Don't talk about your troubles, your problems.
5. Don't overdo a prospect's hobby.

Great Rule 2: INTEREST

Arouse your prospect's interest by telling him what your product will do to benefit or serve him.

1. General interest statement
2. Ask questions to determine WHAT the prospect wants and WHY the prospect wants it.
3. Specific interest statement

These rules will help you to get interest and hold it.

Rule 1. Ask questions to arouse interest.
Rule 2. Be sure your interest step is really interesting.
Rule 3. Show or demonstrate your product.
Rule 4. Avoid using one interest-getter to which the prospect can say "I'm not interested".
Rule 5. Avoid exaggerated claims about your product.
Rule 6. Be sincere always.
Rule 7. Get your prospect to think about the loss or disadvantage of not buying.
Rule 8. Don't think about yourself when you open your talk--think about your prospect.
Rule 9. Talk to your prospects about things that concern or interest them.
Rule 10. Gain interest by telling a story--by giving an example of how your product benefited somebody.
Rule 11. Become genuinely interested in other people.

Great Rule 3: CONVICTION

Give your prospect enough facts, and no more, about your product and how it will benefit him, to convince him that he is justified in buying.

1. Tell your prospects what your product is and what it will do to benefit them.
2. Tell them--and, if practicable, show them--that it works satisfactorily.
3. Support your claims about your product with evidence.

To present the conviction part of your sales talk effectively, use the following rules:

Rule 1. Be brief.
Rule 2. Locate the key issue and confine your talk largely to that.
Rule 3. Know at least one hundred times as much about your product as you use in your sales talk.
Rule 4. Repeat it again and again. Be sure, however, to repeat it in different words and from a different angle.
Rule 5. Sometimes you can skip the conviction step entirely.
Rule 6. Ask many questions and listen to the answers.
Rule 7. A good way to test interest in the conviction step of your sales talk is to stop now and then, look the prospect right in the eye, and say, "Have I made myself clear?".
Rule 8. To be sure you are really convincing your prospect, nail down the major points as you make them.
Rule 9. Be specific all through your sales talk, but especially in the conviction step.
Rule 10. Be concrete.
Rule 11. Be clear.
Rule 12. Manage the interview.
Rule 13. Speak proper English.
Rule 14. Don't pin all your faith on one or two major selling points of your product.
Rule 15. Don't use profanity in a sales talk.
Rule 16. Don't discard selling points, examples, or testimonials just because you are tired of them.
Rule 17. Don't seem too eager to sell.

Great Rule 4: DESIRE

Arouse desire:

1. Remind your prospect that he lacks the benefits your product will give him and get his agreement.
2. Remind him that your product will satisfy that lack.
3. Paint a word picture of your prospect using your product, enjoying it and benefiting from it.

Great Rule 5: CLOSE

Get a decision in your favor by weighing the ideas opposed to buying against the reasons in favor of buying. Then ask for the order.

Rules for Closing

1. Expect to close. If you don't expect to close, you won't close very often. (Virgil once said something like this: "They are able to close because they think they are able to close." Those were not his exact words, of course, but are what he might have said if he had been a sales trainer.)
2. Use trial closes all the way through your talk and watch for buying signals. Then you will be sure to start closing in time.
3. Close by comparing the ideas opposed to buying with the reasons in favor of buying. The prospect will do it anyway--you can do it better.
4. Ask for the order on a minor point or an alternative proposal. Don't ask prospects whether or not they are going to buy. Assume that of course they are going to buy and ask if they want the green or the brown, if they want it delivered today or next week.
5. Always save one strong point for the final push at the end.
6. Don't quit until the prospect has said "no" at least seven times--or has thrown you out!
7. If you are knocked down, pop up.
   Do you float or sink? Are you buoyant or waterlogged? When you are knocked underwater by an objection or a refusal, do you bob up as cork bobs up when it is pushed underwater? You should!
8. Ask for the order immediately after you answer a serious objection--it is a favorable time to get a "yes".
9. When you have made the sale--get out fast!

I don't care how experienced and successful you are; I'll bet ten thousand to one that you don't use all these closing rules.

Don't just read these rules--act on them.

Select just one closing method suggested here that seems to fit into your selling and try it for a week. If it works, keep on using it until you do so automatically.

Then try another one--and another. When you do this, you will be astonished at the increase in your effectiveness in closing.

Some General Rules for Closing

Rule 1. Ask for the order.
Rule 2. You should always expect the prospect is going to buy from you.
Rule 3. Don't wobble!
Rule 4. Keep one strong point about your product in reserve for use in case your prospect balks just at the point of closing.
Rule 5. Use any honest hook or "hurry-upper".
Rule 6. Save up one good strong question for the final push.

Rule 7. Never leave a prospect until the prospect has said "no" at least seven times.
Rule 8. Don't be too tense in this step of the sale.
Rule 9. Never agree to call back on the prospect until you have tried every known way of closing on the spot--and failed.
Rule 10. Try using an example, a "for instance" to give the final push.
Rule 11. Get the order blank out early.
Rule 12. Ask for money directly.
Rule 13. Make it harder for your prospect to refuse to buy than it is to go ahead and buy.
Rule 14. Get the order--then get out.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Promoting Your Business

Competency/Task Explain two methods of pricing products and services. Time Allotted 1/2 Hour

Performance Objective After the lecture, the student will explain two methods of pricing products and services with at least 85 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review teacher notes.	Teacher lecture notes. "The Market, Pricing and Competition", Small Business Planning Guide, Pennsylvania Department of Commerce, James O. Pickard, pp. 14-16. "Setting Price", Getting Down to Business - Student Version, The Vocational Studies Center, University of Wisconsin, Madison, pp. 52-55. Guest speaker from Industry to discuss prices and services in a specific vocational-technical field.	Student activity guide. Learning activities, pp. 56-57.	All students will complete this objective with at least 85 percent accuracy.

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PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Promoting Your Business

Competency/Task Explain two methods of pricing products and services. Time Allotted

Performance Objective After the lecture, the student will explain two methods of pricing products and services with at least 85 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
2. Review textbook.	"Determining the Price of Goods and Services", Unit 9 Small Business Management, Raymond Hubbard and William Harles Jr., pp. 206-210.	Practice exercise, p. 210.	

3. Explain two methods of pricing products and services.

PRICING

What is price? **Price** is the exchange value of products and services stated in terms of money. Very simply, the price of a shirt is the amount of money required to buy the shirt. However, there is more to understanding price than merely finding out how much an item costs.

Manufacturers, wholesalers, retailers, and service enterprises use various methods of pricing products and services. Some pricing principles apply to all enterprises. In addition, each field of business has its own pricing practices. Extractive enterprises engage in diverse activities such as farming and commercial fishing. Therefore, specific pricing methods are difficult to identify. If you want to start an extractive enterprise, study pricing in the other fields of business. Then use those methods that best fit your enterprise.

Common Pricing Principles

All entrepreneurs should be aware of three basic or common pricing principles: (1) all costs must be covered, (2) prices affect image, and (3) prices affect sales volume.

All Costs Must Be Covered. No entrepreneur wants to stay in business unless enough money is received to cover costs and make a profit. Your price, then, must reflect the cost of goods or services; all expenses including employee wages, rent, and utilities; and some profit.

In manufacturing, the cost of goods sold is what it costs to make the product. In wholesaling and retailing, the cost of goods sold is what it costs to purchase the goods from others. In service enterprises, the cost of the service varies according to the amount of time and materials used.

Prices Affect Image. Prices charged usually result in a certain price image for the enterprise. Some firms try to give the image that they offer quality products or services at low or discount prices. This practice is successful in some instances and unsuccessful in others.

As an example, you may not hesitate to buy a radio with a well-known brand name at a low price. But would you go to a hairstylist whose prices were much lower than those of most others in town? If your answer is no, you probably believe that quality and price are related and that you should examine the quality when prices are low. Therefore, when setting prices, you should determine what your target market believes about how price and quality are related. This answer depends both on the person and on the specific product or service involved.

Choosing the amount of markup is, of course, the important decision. If the overall store markup is too high, your products may be too expensive for your target market. As a result, you will lose customers to the competition. If the markup is too low, you may not be able to cover costs and earn a profit.

As a starting point, find out what the average markup percentage is for your line of retailing. Then adjust the rate to fit your situation as you learn more about your target market and your competitors.

Most retailers find it necessary to price some merchandise at other than average markup. You may decide to take a lower markup on some items to meet competitors' prices. On other items, you may take a higher markup because of customer services associated with them.

Markup is easy to calculate. For example, assume you paid $10 for an item, and you wish to take a 40 percent markup on it. Calculate the retail price as follows:

Cost X Markup Percentage	= Dollar Markup
$10 X .40	= $4.00
Cost + Dollar Markup	= Retail Price
$10 + $4	= $14

Pricing by Service Enterprises

The service enterprise category includes a wide variety of businesses. Although the pricing methods vary among the service enterprises, many share one common concept. This concept is that service firms generally charge an hourly fee for the number of hours spent in providing the service.

In addition to hourly fees, charges are made when materials, parts, or supplies are used. Repair businesses and the construction trades often use this approach to pricing.

Some service enterprises use specific charges for specific services. For instance, preparers of income tax returns usually charge a standard fee for completing a Form 1040. This is true no matter how long the preparer worked on the form. The price of a tune-up for a six-cylinder engine is the same even though it takes longer on some cars than others.

Pricing a New Product or Service

Deciding what to charge is not usually a problem when your product or service is the same as that of competitors. Whether they are buying consumer products or services or industrial products or services, customers will not often pay a price higher than that charged by other businesses. Entrepreneurs can match competitors' prices and then make sure they keep their costs down to where they can earn a profit.

Setting a price can be a problem, however, when introducing a new product or service. The practice of pricing according to what others charge will not work. An entrepreneur should use either a skimming pricing policy or a penetration pricing policy.

Skimming Pricing Policy. With a **skimming pricing policy,** an entrepreneur would charge a relatively high price for the new product or service and expect to sell a low volume. The price would be high in relation to prices of comparable items. One purpose of this pricing policy is to try to recover as soon as possible the costs of developing the product. A disadvantage is that competitors will see a chance to make a profit from also selling the high-priced item. Realize that competition will eventually drive the price to a lower level. This is what happened to the prices of microwave ovens, pocket calculators, microcomputers, and videocassette recorders. An entrepreneur should also watch the sales of the product closely to see if the high price discourages customers from buying it.

Penetration Pricing Policy. With a **penetration pricing policy,** the entrepreneur sets a low initial price to attract customers quickly. The lower price discourages other businesses from introducing the same product or service. An entrepreneur charges a low price and expects to sell a high volume of products or services.

Source: Hutt, Roger W., Entrepreneurship - Starting Your Own Business, Cincinnati: South Western Publishing Company, 1988, pp. 136-140

Starting your own Business

INTRODUCTION

Many prospective small business owners have promising business ideas and plans. However, they discover two critical decisions must be made to ensure success. It should be emphasized that sound preparation and planning are necessary before the entrepreneur selects a location and obtains financial and technical assistance. It is important that students review this material so vital decisions will be made in a manner which will start the business on the way to a successful and profitable future.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Starting Your Own Business

Competency/Task Select a location for the business. Time Allotted 1/2 Hour

Performance Objective After reviewing the information, the student will select a location for their business taking into consideration the three general factors that effect good business growth and development.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review teacher notes.	Teacher lecture notes.	Student activity sheet.	
	"Locating or Relocating Your Business", SBA - Management Aids No. 2002, Fred I. Weber Jr.	Rating sheet.	
	Quality Men's Wear, Owning and Operating a Small Business, Strategies for Teaching Small Business Ownership and Management, J. Cronin, 1976, pp. 26-27.	Discussion questions.	All students will complete this objective with 85 percent accuracy.
2. Read supplementary materials.	"Choosing a Location", ETC Getting Down to Business Student Version, The Vocational Studies Center, University of Wisconsin - Madison, pp. 16-18.	Learning activities - pp. 19-20.	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
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Major Division Entrepreneurship

Unit Starting Your Own Business

Competency/Task Select a location for the business. Time Allotted

Performance Objective After reviewing the information, the student will select a location for their business taking into consideration the three general factors that effect good business growth and development.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
	"Planning a Small Business - Types of Locations", Small Business Management, 4th Edition, pp. 123-145.	Unit quiz, pp. 146-149. Case study, p. 149.	

UNIT V STARTING YOUR OWN BUSINESS

1. Select a location for the business.

Locating the Business

The business location can "make or break" the firm. The small business owner must select the "right" site for the business.

Locating a business is a very important decision. The wrong decision can cause a business failure almost before it gets started. Often the location is chosen because a building or piece of land is vacant or because the site is located close to the home of the owner. These are poor reasons for picking a business location. (PACE MODULE - Unit 7, p. 4)

GENERAL FACTORS THAT SHOULD BE CONSIDERED WHEN SELECTING A LOCATION

Economics

A major concern in locating an area for a small business is the economic base of the area. The entrepreneur needs to answer the following questions:

1. Do eighty percent of the people work in one industry or business?

2. What is the average income of the residents in this area?

3. What are the employment/unemployment trends?

4. What is the traffic flow in the area?

Population

Owners of a small business should identify the groups of people from which they believe most of their customers will come.

How stable is the area?

Is the population growing or declining?

Competition

Study your competitors.

Three conditions are favorable for opening a new firm:

1. No competitors in the area.

2. Competitors that are poorly managed.

3. Customer demand for the product or service is growing.

SPECIFIC FACTORS THAT EFFECT BUSINESSES

1. Adequate parking.

2. Access to major roads or highways.

3. Surrounding businesses are the buildings attractive and well maintained.

   (Example: - Clothing stores should not be located next to service stations.

   - Retail firms should be located in a shopping mall where parking is not a problem and people can browse by the display window.)

4. Zoning laws of the community.

5. High or low building cost in relation to the area.

6. Central shopping districts - attract customers.

   Traffic, cars and people are heavy.

   High rent is prevalent in these areas.

7. Property restrictions.

8. Neighborhood shopping areas.

9. Shopping centers.

10. Taxes.

Buying or Leasing

Advantages of leasing the site:

1. Owner does not need as much initial capital.

2. Available resources can be used for operation of the business.

3. Maintenance costs are paid by the landlord.

Advantages of Owning the Site

1. Appreciation of the building belongs to the owner.

2. Owner can make any modifications or changes in the building.

Consider the following building layout where selecting a location:

1. Floor strength and appearance.

2. Expansion possibilities.

3. Visibility to customers.

4. Accessibility for deliveries.

5. Floor space - selling and non-selling.

ASSISTANCE FOR SELECTING A BUSINESS

Future entrepreneurers can find data to support a proper location in the following references:

Statistical Abstract of the United States

This document includes national data on population and income.

County and City Data Book

Any city or county with a population of over 25,000 is documented in this reference book. It contains such information as the number of businesses, number of families, average personal income, and number of multi-family or single family housing units in an area.

The Survey of Current Business

Monthly sales volume figures, unemployment data, articles on timely subjects, and customer's buying habits are found in this document.

Other sources include:

Department of Labor's Bureau of Labor Statistics

Office of Minority Business Enterprises

Department of Commerce

Chamber of Commerce

Local banks

Source: PACE MODULE - Unit I - Level 7

TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Starting Your Own Business

Competency/Task Obtain financial and technical assistance. Time Allotted 1 1/2 Hours

Performance Objective After completing various activities, the student will obtain financial and technical assistance from the appropriate sources for their proposed business.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
FINANCIAL ASSISTANCE			
1. Review lecture notes.	Teacher lecture notes.	Student activity sheet.	
	Financial statements. pp. 6-18.	Entrepreneurship game.	
	"Managing the Business' Finances", Small Business Management, 4th Edition, pp. 172-183.		
	"The Loan Officer", Owning and Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, Joseph M. Cronin, 1976, pp. 34-35.	Discussion questions.	All students will complete this objective with at least 80 percent accuracy.
	"The Balance Sheet", Creating a New Enterprise, Roger W. Hutt, pp. 107-108.	Balance sheet, p. 120.	

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TEACHING PLAN

Program _____ Teacher _____

Major Division _____

Unit Starting Your Own Business

Competency/Task Obtain financial and technical assistance. Time Allotted

Performance Objective After completing various activities, the student will obtain financial and technical assistance from the appropriate sources for their proposed business.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
FINANCIAL ASSISTANCE			
(1. continued)	What is an adequate profit.	Case study.	
	"Obtaining Capital", Chapter 7, Entrepreneurship: Starting Your Own Business, Roger W. Hutt, pp. 153-164.	Quiz and activities, pp. 165-172.	
	Video Tape: Joe Kruszewski, "Obtaining a Bank Loan".	Discussion questions. Worksheet.	
	"Financing: How to Get It", Chapter 4, Entrepreneurship: a New Direction on Education M. Spewock, pp. 69-77.	Definitions, p. 78.	
2. Complete loan application from the Small Business Administration.	Guest speakers from Small Business Administration or lending sources.	Financial statement of the Business Plan.	

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division _____

Unit Starting Your Own Business

Competency/Task Obtain financial and technical assistance. Time Allotted

Performance Objective After completing various activities, the student will obtain financial and technical assistance from the appropriate sources for their proposed business.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
TECHNICAL ASSISTANCE			
1. Review materials.	Teacher lecture notes. Your Business and the SBA (pamphlet) Beginning a New Business in Allegheny County-PA (SCORE) Transparency, "Resources Available for Small Business Owners", Instructors Guide for Small Business Exploration: Beyond a Dream, pp. 217-218. Pennsylvania Department of Commerce, "Financing Programs and Agencies to Assist Business and Industry".	Student activity sheet.	

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Unit Starting Your Own Business

Competency/Task Obtain financial and technical assistance. Time Allotted

Performance Objective After completing various activities, the student will obtain financial and technical assistance from the appropriate sources for their proposed business.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
TECHNICAL ASSISTANCE			
2. Complete the Technical Assistance checklist.	"What Technical Assistance Do You Need?", Instructor's Guide for Small Business Exploration: Beyond a Dream pp. 63-65.	Checklist.	
	Video tape, Don Gilcrist, Pennsylvania Department of Commerce, "Starting Your Business in Pennsylvania",	Discussion questions.	
	Resource Directory		
	Small Business Planning Guide		
	Starting Your Business in Pennsylvania		

2. Obtain financial and technical assistance.

Financial Assistance

Financing a new business means getting the money necessary to start it and to keep it going. Money is the fuel that powers the business. Financing is one of the keys to successfully starting a business. Without it, your chances of surviving and making a profit are poor. Several important costs need to be estimated prior to going to a loan company.

START UP COSTS are usually expenses that occur just once when getting the business off the ground.

1. Fixtures and equipment
2. Starting inventory
3. Deposits for rent and utilities
4. Business licenses and permits
5. Legal fees
6. Advertising

OPERATING EXPENSES are necessary to keep the business going. Examples are:

1. Inventory, supplies
2. Payroll
3. Taxes
4. Repairs to equipment
5. Utilities

PERSONAL EXPENSES are costs that are necessary for you to live.

1. Rent or mortgage payment
2. Food
3. Transportation
4. Medical bills
5. Entertainment

Two Basic Sources of Money

1. **Equity Financing** - the owner's own money (saving accounts, families incorporate partners).

2. **Debt Financing** - money the owner borrows (banks, credit unions, commercial and consumer finance companies, life insurance policies, Small Business Administration). Lenders will usually lend money for starting businesses only to people they know and trust.

   Small Business Administration has two basic types of business loans:

   A. Bank Guaranteed Loans

      Provided by a bank but Small Business Administration guarantees 90% percentage of the pay back.

   B. Direct Loan

      Available only if the entrepreneur can't borrow from a private lender.

Other examples include:

Franchise Credit - available when you buy a franchise.

Trade Credit - is short term credit that suppliers provide to their customers.

Three financial statements are required when developing a business plan or when seeking financial assistance.

1. **Profit and Loss Statement** is a financial tool that businesses use to compare costs and expenses to income. It shows the profit or loss for a business during a particular time period.

   Five parts of the statement are:

   A. Projected total sales
   B. Projected costs of goods sold/cost of sales
   C. Projected gross profit
   D. Projected operating expenses
   E. Projected net profit.

2. **Cash Flow Statement** estimates how much cash will come in and go out of your business each month. It tells you when you will need to find additional funds and when you will have cash left over.

3. **Balance Sheet** shows how the business stands at the end of the year. It balances the assets of the business with the liabilities and equity. Ideally, the assets of the business will be larger than the liabilities. This increases equity or net worth.

Source: PACE MODULE, Unit 8 - Level 1

Balance Sheet

A statement telling what you own and what you owe at any one time. Financial information changes daily.

The three main components are:

1. **ASSETS** - anything one owns (cash, equipment, real estate).

2. **LIABILITIES** - anything one OWES (loans, credit notes, taxes).

3. **NET WORTH** (equity) is the OWNED portion of the business.

All balance sheets are based on the following:

ASSETS = LIABILITIES + NET WORTH

Profit and Loss Statement

A record of activities for the business during a period of time. This statement is developed at the end of an accounting period.

The five main components are:

TOTAL SALES - cash and credit.

COST OF GOOD SALES - amount that it costs one to buy or produce goods for sale.

GROSS MARGIN - amount of profit made from sales before operating expenses are deducted.

EXPENSES - costs.

NET PROFIT - the profit or loss at the end of the accounting period.

2. Obtain financial and technical assistance.

Technical Assistance

Technical assistance is the term used to describe the outside help you will need to open and operate a small business. The use of technical assistance does not indicate failure. Rather, it shows that you know where you need help and that you know how to get it.

The job of the entrepreneur is complex, but all of the tasks you will need to perform can be classified into two broad categories:

1. Those you must do before the business opens.
2. Those you must do after the business is operating.

Before the business opens, you need to:

1. Develop a marketing plan.
2. Select a business location.
3. Develop a financial plan.
4. Select a legal structure.

After the business is operating, you need to be able to:

5. Manage finances.
6. Manage marketing.
7. Manage sales promotion.
8. Manage human resources.

Technical assistance is classified into six major categories:

1. Business Affiliations

   (A group of companies legally joined with each other for mutual benefit. Examples include: franchises, cooperatives, and buying groups.)

2. Business Associations

3. Government Agencies

   (Small Business Administration, Department of Commerce, Labor and Education)

4. Educational Institutions

5. Professional Consultants

6. Publications

Maintaining Financial Records

INTRODUCTION

An efficient recordkeeping system is a requirement for any business. All business transactions should be recorded in full on paper. Many small businesses fail because of inadequate recordkeeping. The business may have an excellent product, a high sales volume, and a good profit margin. However, without proper records, the business is inviting disaster. Too often, the small business owner has the attitude or belief that keeping records is not necessary in a small business. The person who owns a small business is confronted with problems and decisions every day. Sound decisions require a manager who is informed of aspects of the business. The proper recordkeeping system can provide the information necessary to solve many management problems, and to make sound decisions.

Source: Cronin, Joseph M., Owning and Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, State Board of Education - Illinois, p. 51

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Major Division Entrepreneurship

Unit Maintaining Financial Records

Competency/Task Identify the elements of a sound recordkeeping system. Time Allotted 1 Hour

Performance Objective After reviewing the information, the student will identify the six elements of a sound recordkeeping system with at least 90 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review lecture notes.	Teacher lecture notes. PACE MODULE, Unit 5 - Level 1 "Keeping the Business Records", pp. 7-12.	Student activity sheet.	
2. Review textbook materials.	Business Records, "Keeping and Using Businesses Records" Unit 9, Small Business Management, Raymond Hubbard and William Harles, Jr., pp. 194-199. Bank Records, Unit 9, pp. 210-221. "Keeping Financial Records" Getting Down to Business Student Version, The Vocational Studies Center, University of Wisconsin - Madison, pp. 72-76.	Learning activities, pp. 77-78.	All students will complete this objective with at least 90 percent accuracy.

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Major Division _____

Unit Maintaining Financial Records

Competency/Task Identify the elements of a sound recordkeeping system. Time Allotted

Performance Objective After reviewing the information, the student will identify the six elements of a sound recordkeeping system with at least 90 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
	Record Keeping for Small Businesses, Bonnie D. Hellman, CPA.		
3. Complete the test.	PACE MODULE, Unit 15 - Level 1.	Assessment, p. 14.	

UNIT VI MAINTAINING FINANCIAL RECORDS

1. Identify the elements of a sound recordkeeping system.

A business cannot operate successfully without proper financial records. New Entrepreneurs should keep their own books for at least a year, just to learn how to maintain financial records. The Entrepreneur must be familiar with what, how, and where the information will be recorded.

Why keep records?

1. Helps owner keep track of day-to-day operations of the business.

2. Identifies business trends.

3. Determines control of costs and develops realistic, competitive, profit producing prices.

4. Requires documents for tax and legal purposes.

5. Provides information for business investors.

6. Helps control your investment in inventory, accounts receivable, buildings, and equipment.

A prerequisite to implementing an adequate system is to obtain advice and assistance from an accountant.

The six major elements of a good recordkeeping are:

1. Simple to use.

2. Easy to understand.

3. Reliable

4. Accurate

5. Consistent

6. Designed to provide information on a timely basis.

One simplified bookkeeping system used by small business owners is called the "Dome Method". It is a system used to assist small business operators and professional people in keeping an accurate, inexpensive and simple record of their business transactions.

Two basic kinds of bookkeeping systems available for accounting purposes are:

1. Single Entry
   - Transactions are recorded only once.

   - Easy to operate, but if a mistake is made, it is extremely difficult to locate it.

2. Double Entry

- Complicated

- Record transactions in two different places (ledgers, journals) and two different ways (debit and a credit).

Every business has unique recordkeeping needs, but there are some accounting records that are common to most businesses.

1. Checkbook
2. Daily sales and cash summary
3. Accounts receivable journal
4. Bank reconciliation statement
5. Basic payroll records

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Major Division Entrepreneurship

Unit Maintaining Financial Records

Competency/Task Develop a system for payroll records. Time Allotted 1 1/2 Hours

Performance Objective After completing some practice exercises, the student will develop a system for payroll records.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review lecture notes.	Teacher lecture notes.	Student activity sheet.	
2. Review textbook materials.	Payroll Records "Keeping and Using Business Records", Unit 9, Small Business Management, Raymond Hubbard and William Harles, Jr., pp. 228.	Unit quiz, pp. 246-249.	All students will complete this objective with 80 percent accuracy.
	View video tape from the Paul Wolfe Seminar on "Payroll - Financial Records"	Worksheet.	
	Chapter 8, "Payroll-Wages", Business Mathematics, William M. Dillon, 1985, pp. 182-186.	Worksheets, pp. 187-190.	
	Chapter 8, "Calculating Net Take Home Pay", Business Mathematics, William M. Dillon, 1985, pp. 201-202.	Worksheets, pp. 203-204.	

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Major Division Entrepreneurship

Unit Maintaining Financial Records

Competency/Task Develop a system for payroll records. Time Allotted

Performance Objective After completing some practice exercises, the student will develop a system for payroll records.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
	Chapter 11, "Calculating Gross Pay for Payrolls", Vocational Mathematics for Business, 3rd Edition, Marie Martinka and James L. Southam, 1984, pp. 299-302.	Worksheets, pp. 303-304.	

2. Develop a system for payroll records.

Payroll records must be maintained that include record of hours worked, wages earned, and deductions taken from wages for each employee.

Payroll is necessary for future planning. It enables the owner to keep track of exact payroll expenses.

Exact figures for deductions of federal, state, and any other taxes must be known in order for the owner to meet legal requirements.

PAYROLL is a record of the earnings paid to individuals classified as employees.

WAGES OR EARNINGS refers to payment for total hours of work at a given hourly rate, for total pieces produced at a given rate per piece, or for a combination of both.

SALARY refers to earnings that are set at a weekly, monthly, or annual rate.

COMMISSION refers to payment based on dollar or unit sales made by the individual within a specified period of time.

GROSS PAY is the total amount earned before any payroll deductions are made.

NET PAY is the amount paid to the employees after all required and authorized deductions have been subtracted from the gross pay.

REGULAR HOURS is the base (total) number of hours to be worked per day or week.

OVERTIME is time worked beyond the regular hours.

In accordance with the Federal Wage and Hour Law, companies which engage in interstate commerce must pay time and a half for all time worked over forty hours in one week.

Two most common methods of paying overtime hours are:

TIME AND A HALF

The employee is paid one and a half times his or her regular pay rate for each hour worked.

$4.00 (regular pay) X 1.5 = $6.00 (overtime rate)

DOUBLE TIME

The employee is paid two times his or her regular pay rate for each hour worked.

$4.00 (regular pay) X 2 = $8.00 (overtime rate)

FICA (Federal Insurance Contributions Act) is commonly called Social Security. The employer is required to deduct the FICA tax from the employee's earnings to match it in an equal amount.

WITHHOLDING TAX (Federal Income Tax) is the amount deducted each pay period depending upon the employee's gross earnings, the current income tax rate, and the number of exemptions declared by the employee on a W-4 form.

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Major Division Entrepreneurship

Unit Maintaining Financial Records

Competency/Task Identify basic policies to use for credit and collections. Time Allotted 1/2 Hour

Performance Objective After reviewing the information, the student will identify basic policies to use for credit and collections with at least 85 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Review lecture notes.	Teacher lecture notes.	Student activity sheet.	
		"How Can the Costs/Benefits of Credit be Evaluated?", PACE MODULE, Unit 17, pp. 12-13.	
	"Credit Collections", Owning & Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, pp. 86-88.	Case study, p. 89.	
2. Review textbook materials.	Credit - "Managing the Business' Finances" - Unit 8, Small Business Management (Raymond Hubbard and William Harles, Jr.) pp. 181-188.	Unit quiz, pp. 189-191.	All students will complete this objective with 85 percent accuracy.
3. Conduct a panel discussion.	Guest speakers from local small businesses to discuss pros and cons of offering credit.	Discussion questions.	

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Unit Maintaining Financial Records

Competency/Task Identify basic policies to use for credit and collections. Time Allotted

Performance Objective After reviewing the information, the student will identify basic policies to use for credit and collections with at least 85 percent accuracy.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
4. Complete the assignment	PACE MODULE, Unit 17	Assessment, p. 18	

3. Identify basic policies to use for credit and collections.

One major reason for granting credit is that about one-third of the nation's retail sales are based on credit.

Advantages for credit:

1. Create customer loyalty.
2. Customers may be less price conscious.
3. Credit customers buy more freely.
4. Credit may attract customers who will pay more for quality.
5. Credit builds goodwill.
6. Credit helps smooth out business peaks.

The basic credit considerations are:

1. Grant credit to everyone.
2. Not to grant credit to anyone.

Easy going credit policy involves granting credit to people without checking thoroughly to see if they will be able to make payments.

Strict credit policy checks a customer's financial background thoroughly before credit is granted.

How easy-going your credit policy should be also depends upon:

A. the policies of your competitors.

B. the extent to which your business depends on credit for making enough sales.

C. the company's ability to handle having unpaid debts.

D. the time you have available to collect the money you are owed.

Guidelines for evaluating credit applicants are:

1. Character (sense of responsibility in meeting financial obligations)

2. Capacity (usually refers to the person's ability to earn money)

3. Capital (refers to the physical and financial assets of the applicant.

Investigating credit requests thoroughly protects you from the customer who has no intention of paying as well as from the customer who is extremely slow in paying.

Consider three major factors in deciding about a credit applicant:

1. Ability to pay, based upon income and obligations.

2. Person's willingness to pay, which can be determined from the applicant's credit history.

3. Decide about the possible profitability of the account.

Features of a Credit Card Plan

In granting credit, you can honor:

A. one or more of the major bank credit card systems

B. travel and entertainment cards

C. one or more of the major oil company credit cards.

REMEMBER, the more options you honor, the more paperwork.

Credit card companies take much of the responsibility for collecting payment from the customer. The fee (3 percent to 6 percent of the amount purchased) is usually well worth it, as you avoid the collection problems and paperwork.

The authorization line is the highest amount that a store clerk may allow a customer to charge to a card without calling the credit card company for approval.

The basic types of direct credit plans are:

1. For individual purchases.

   A bill is sent to the customer for a month's purchases, and the customer must pay the entire bill within the normal credit period, usually thirty days.

2. On a revolving credit basis.

   A separate bill is sent to the customer for a month's purchases, and the customer must pay at least a certain amount of the bill within the normal credit period.

Source: PACE MODULE, "Managing Customer Credit and Collections", The Ohio State University, Unit 17 - Level 1

Managing Employer/Employee Relations

INTRODUCTION

Every business needs workers. When starting a new business, it is common to ask family members to work. As the business grows, however, other workers may be needed. Because the success of a business frequently depends upon the productivity of the people doing the work, it is important to have good workers.

The human resources of a business are its employees. Simply stated, human resource management is managing your employees. Although this may sound like a very simple thing to do, it is a very challenging part of being an entrepreneur.

Source: PACE, Unit 12, Level 1, p. 3

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Major Division Entrepreneurship

Unit Managing Employer/Employee Relations

Competency/Task Develop selection and hiring procedures. Time Allotted 2 Hours

Performance Objective After reviewing the information, the student will develop selection and hiring procedures for the business that identifies four major components.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes.	Student activity sheet.	
	"Management Section"		
	Organizational Planning, Starting Your Own Marketing Business, 2nd Edition, Vivian King Ely, Michael T. Barnes, 1978, pp. 129-132.	Learning Pacer, p. 132.	
2. Review related materials.	Personnel Opportunities (3-15-88), Al Cario notes and video tape.	Case studies.	All students will complete this objective with 100 percent accuracy.
	Guest speaker.		
	Being in Charge - ETC., Getting Down to Business ETC100MM1 - Student Version The Vocational Studies Center Wisconsin-Madison, 1981, pp. 32-35.	Learning activities, pp. 35-37.	

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Major Division Entrepreneurship

Unit Managing Employer/Employee Relations

Competency/Task Develop selection and hiring procedures. (continued) Time Allotted

Performance Objective After reviewing the information, the student will develop selection and hiring procedures for the business that identifies four major components.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
2. (continued)	"Responsibilities of Managing Personnel", Small Business Management, 4th Edition, Raymond T. Hubbard, William D. Harles, Jr., 1988 pp. 324-330.	Case study, p. 343.	
	"How to Avoid Employee Turnover - Effective Interviewing is One Essential", Fritz Jaeger III Men's Hairstylist, September 1980, p. 2.	Discussion.	
	"Selecting New Employees: The Interview Process", John K. Hagland and Jay A. Jacobs, Modern Salon, May 1979, pp. 92 & 124-125.	Discussion.	
	Pre-Employment Inquiry, People Returning to Work - Displace Homemaker Program, Mercer County AVTS.	Discussion.	

UNIT VII MANAGING EMPLOYER/EMPLOYEE RELATIONS

1. Develop selection and hiring procedures.

Human Resource Management is working with people so that they will be productive employees.

The human resources of a business are its employees.

Four components of human resour[illegible] [illegible]re planning, organizing, directing, and controlling.

1. Planning - Determine what kind of employees you need and how to select them. A key factor in the successful operation of any business is matching the right job to the right person.

2. Organizing - Orient and train your employees to do the job. All training must be organized by goals and objectives. The training should be provided by a person who has the skill, knowledge, and attitudes that need to be taught.

3. Directing - Lead and motivate your employees on the job so they will be productive. Effective communications assure informed workers. Good communications can improve the image of the company when satisfied employees share their positive feelings with the community.

4. Controlling - Evaluate employees on the job. Evaluation must be on-going. Goals should be set and a program should be established to help the employees reach those goals.

Employees can determine the success or failure of a business. Employees who do not produce are a financial drain on the business.

Parkway West Vocational School
Entrepreneurship Program
Personnel Opportunities
3/15/88

OUTLINE

HUMAN RESOURCES NEEDS
JOB DESCRIPTION
JOB SPECIFICATION
RECRUITING
SELECTION
ORIENTATION
EVALUATION
DISCIPLINE

******

DETERMINING SMALL BUSINESS EMPLOYEE NEEDS

As your business expands, you will find yourself having less time in which to accomplish an ever growing amount and variety of things to do. Don't be discouraged. Being busy is a good sign (if you have maintained an adequate level of efficiency) and maybe it's time to add an employee.

Good business decisions involve a disciplined approach and this holds especially true when personnel matters are concerned. The first thing to do is to determine if you really need to add an employee by asking yourself the following questions ;

Is this my "busy" season and will things "slow down" at a later time ?

Can I accomplish more by being more efficient myself ?

Could I use agencies or subcontractors to handle the increase ?

Is there any equipment I can use to delay the need for more people ?

If you answered yes to any of the above then you may not need to add to your staff. Remember that you must increase your sales by an amount much greater than the wage that you actually pay your workers. Furthermore, employees represent a whole set of problems not related to pay. For these reasons it is important to do everything you can to delay adding people.

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JOB DESIGN AND DESCRIPTION

If after review it still looks like you need help then the first order of business is to determine exactly what kind of help you need. This is commonly referred to as Job Design.

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Job Design involves answers to the following questions :

What jobs will this person perform ?
Do I need full time help ?
At what times of the day and week do I need help ?
Who is this person's supervisor ?
Who will handle this employee's training ?
How much will I have to pay this employee ?

It is important to be as objective as possible at this phase of Job Design. A mistake made by many employers is to try to tailor a job to fit a person after he or she is hired. This usually yields poor to mediocre results and will be avoided if you take the time to design a job BEFORE you consider any specific candidate.

******

JOB DESCRIPTION

A Job Description is a list of duties to be carried out by an employee in the performance of his or her job. Job descriptions include a general description, specific tasks, and reporting relationships. Job Descriptions for a small business should be as general and simple as possible.

A sample Job Description follows:

Job Description
Window and Door Installer/Mechanic

GENERAL DESCRIPTION
Responsible for the neat and timely installation and repair of building products.

DUTIES TO BE PERFORMED
Installs and repairs the following types of building products: replacements windows, replacement glass, storm windows, storm doors, patio doors, prime entrance doors, and other related items.

Responsible for keeping the jobsite neat by placing drop cloths throughout the house and by vacuuming after installation.

Responsible for cleaning and maintenance of company vehicles, tools, and buildings.

Reports any jobsite and equipment damage to the supervisor.

REPORTING RELATIONSHIPS
Reports directly to the Job Expeditor.

****

JOB SPECIFICATION

Once a Job Description has been written . Job Specifications can be determined. A Job Specification is a list of qualifications that a person performing the job must posses.

A sample Job Specification follows;

Job Specification
Window and Door Installer/Mechanic

Vocational school carpentry graduate or two years of related experience.

Basic knowledge in the use of the following ; hand tools, reciprocating saw, metal brake, glass cutter.

Previous glazing or masonry experience helpful but not necessary.

Good physical health. Must be able to work on second and third stories.

Must have hand tools and transportation.

Personality must be suited to working with public.

It is necessary to also determine the range of pay for the position. There are many ways in which this can be done but is always important to remember that actual costs are much higher than the rate of pay.

******

RECRUITING

Candidates for employment can be found by;

Examining your current work force
Checking with a local vocational school or college.
Asking around
Newspaper advertisements
Employment agencies

The procedure for finding applicants should include;
1) Draft an ad or letter using the Job Specification.
2) Post the letter on your bulletin board.
3) Mail, call or take the ad to the local paper .
4) Contact the local educational institution.
5) Call an employment agency.

*****

SELECTION

RESUME/APPLICATION

In order to save as much time as possible the selection process starts with reading the resume or application of the candidate. You should be looking at the experience and educational background of the candidate. Try to find between five and ten people that you can interview for the job.

INTERVIEW

The purpose of the interview is to gather information about the candidate's personality and technical knowledge of the task. Ask questions that do not have a yes or no answer. Let the candidate talk as much on his or her own as he or she desires. It is okay to take notes and always include a physical description of the candidate in your notes. This will be useful when you are trying to recall the conversation at a later time. After all candidates have been interviewed, select two or three candidates for further consideration.

TESTING

While it is not necessary to conduct tests for all jobs, you may want to see if the applicant can perform some of the physical requirements for the job. Typing, and driving tests are a common forms of performance tests.

REFERENCE CHECKS

Former employers usually provide reliable information but many companies are reluctant to divulge anything other than the dates of employment.

PHYSICAL EXAMINATION

Your final candidate should undergo a physical examination by a physician that you choose. This is especially important if you are providing health coverage. If you would desire drug testing you must first inform the candidate that it will be a part of the exam.

It is important throughout he selection process to be fair an to look at each candidate only for his or her ability to fill the position. There are many Federal and State regulations that will "help" you maintain an unbiased attitude.

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ORIENTATION

Once an employee has been selected he or she must be "introduced" to the job. This introduction process is called Orientation.

Orientation includes:

W-4 and insurance information.

Adding the employee to the company records. This is accomplished by having the employee fill out a data sheet listing pertinent information. A file for that employee is then created using the data sheet, application, job description etc.

Showing the employe around the premises and introducing him or her to the other workers.

Discussing the job description with the employee.

Explaining the probationary period evaluation schedule.

Issuing a copy of the work rules and explaining the discipline system.

Explain payday, vacation, holiday schedules.

******

EVALUATION

Probationary periods can last anywhere from two weeks to six months. The purpose of a probationary period is to make sure that the company and employee a capable of satisfying each other's needs. You will usually find out if the employee is not going to work out during probation. If this is the case you will probably be required to terminate the employment before any further damage is done. A good time to evaluate the employee's performance is at the end of the probationary period and every six months thereafter.

Evaluations include:

A review and update of the job description.
An update of the employee's qualifications.
A review of how well the employee has fulfilled his or her job.
Recommendations for improving future performance.
A pay adjustment.

DISCIPLINE

The disciplinary process serves to inform employees of what they should and shouldn't do and to correct those situations caused by the employee's failure to conform to company standards.

A sample outline of a disciplinary process follows:

1. RULE AND GOAL DEVELOPMENT
2. RULE AND GOAL COMMUNICATION
3. PERFORMANCE DOCUMENTATION
4. RULE VIOLATION OR SUBSTANDARD PERFORMANCE
5. COUNSELING
   a. build employee's esteem
   b. review documentation
   c. determine if there is a training deficiency
   d. set goal and deadline for corrective action
   e. end with positive reinforcement
6. VERBAL WARNING (if there is no training needed)
   a. build employee's esteem
   b. review documentation
   c. set goal and deadline for corrective action
   d. define next action if situation is not corrected
   e. end with positive reinforcement
7. WRITTEN WARNING
   a. build employee's esteem
   b. review documentation
   c. set goal and deadline for corrective action
   d. define next action if situation is not corrected
   e. communicate in written form and make part of employee's file
   f. end with positive reinforcement
8. SUSPENSION
   a. build employee's esteem
   b. review documentation
   c. suspend employee
   d. set goal and deadline for corrective action
   e. define next action if situation is not corrected
   f. communicate in written form and make part of employee's file
   g. end with positive reinforcement
9. TERMINATION
   a. review documentation
   b. terminate employee
   c. collect keys,credit cards,etc.
   e. document entire conversation and/or have a third party present

Difficult employees generally fit into one of four categories:

1) Those whose quality or quantity of work is unsatisfactory due to lack of abilities, training, or job motivation.
2) Those whose personal problems off the job begin to affect job productivity.
3) Those who violate laws while on the job.
4) Those who consistently break company rules and do not respond to supervisory reactions.

DISCUSSION GROUP #1

1) Does our area of study have a busy season? If so, what months or time of the month can we expect to be the busiest?

2) What types of agencies or services could we use instead of hiring employees?

3) What type of equipment can we use to increase productivity?

DISCUSSION GROUP #2

1) You are posting a set of work rules in your place of business. At the top of one sections is the following sentence;

> "Violation of the following rules will result in immediate dismissal without warning."

What rules would you put into this section? Why?

CASE STUDIES

Tom is a pretty good employee. But John, his supervisor, is driven up the wall by him. Tom just can't seem to follow company rules. When John tries to talk to him about it, Tom gives him a hard time and may even seem to threaten him if he tries to do anything about the problem.

Al is the salesman who had the largest sales increase just after he was hired. Later, his sales dropped off. When his supervisor checked, Al was found to be making just enough sales calls to reach his quota..

Susan is often a good worker. Then there are days when all the forms she types have serious errors on them. These are the days that Susan is on drugs or drinking.

Joyce seems to do good work. She is courteous to the customers. She puts up the stock quickly and marks the prices accurately. But Joyce takes home more than her paycheck from the store every week.

Answer the following questions for each of the above cases;

What Difficult Employee category best describes this employee?

What rule(s) did he or she violate?

How would you handle the situation?

Examples of employee behavior rules

I. Rules directly related to productivity
   A. Time rules
      1. Starting and late times
      2. Quitting times
      3. Maximum break and lunch times
      4. Maximum absenteeism
   B. Prohibited-behavior rules
      1. No sleeping on the job
      2. No leaving workplace without permission
      3. No drinking on the job
      4. No drug taking on the job
      5. Limited nonemployer activities during work hours
   C. Insubordination rules
      1. Penalties for refusal to obey supervisors
      2. Rules against slowdowns and sit-downs
   D. Rules emphasizing laws
      1. Theft rules
      2. Falsification rules
   E. Safety rules
      1. No-smoking rules
      2. Safety regulations
      3. Sanitation requirements
      4. Rules prohibiting fighting
      5. Rules prohibiting dangerous weapons

II. Rules indirectly related to productivity
   A. Prevention of moonlighting
   B. Prohibition of gambling
   C. Prohibition of selling or soliciting at work
   D. Clothing and uniform regulations
   E. Rules about fraternization with other employees at work or off the

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Managing Employer/Employee Relations

Competency/Task Develop an employee compensation plan. Time Allotted 1 Hour

Performance Objective After reviewing appropriate materials, the student will develop an employee compensation plan that meets the three basic requirements of the law.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes.	Student activity sheet.	
2. Review related information.	Management Responsibilities in Collective Bargaining, Unit 12, Small Business Management, 4th Edition, Raymond T. Hubbard and William D. Harles, Jr., 1988 pp. 335-338. Guest speaker from a small business, labor union representative. "Employee Compensation: A Graduated Commission Approach", Sam L. Licursi and John K. Haglund, Modern Salon, August 1979, pp. 84 and 116-117.	Unit quiz, pp. 339-342.	All students will complete this objective with 100 percent accuracy.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Managing Employer/Employee Relations

Competency/Task Develop an employee compensation plan. (continued) Time Allotted

Performance Objective After reviewing appropriate materials, the student will develop an employee compensation plan that meets the three basic requirements of the law.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
2. (continued)	Commission vs Salary - Which Compensation Plan Will Reap the Salon Owner the Greatest Profit?, American Hairdresser/Salon Owner, August 1977, pp. 90-92.		

2. Develop an employee compensation plan.

Most employees, whether or not they are represented by labor unions, continue to seek improvements in salary, employee benefits, and working conditions. All employee compensation must be based on what the firm can afford, must comply with current practices of other employees, and must be understood and accepted by the employees. To do all this, employee policies and operating procedures should be thought about and developed carefully.

Just because a firm offers competitive salaries, benefits, and working conditions, doesn't mean that all your employees will do good work. In addition to these financial or physical compensations, employees need responsibility, the opportunity to develop new skills, or some recognition of accomplishment in their jobs.

Source: PACE, Unit 12, Level 1, pp. 4-5.

The following is a list of different types of compensation:

Wages

Health Insurance

Life Insurance

Paid Vacations

Profit Sharing Programs

Retirement

You must be competitive with other employers if you want highly skilled individuals.

Compensation and Financial Incentives

Compensation includes wages, bonuses, premiums, salaries, and commissions.

Wages are paid on an hourly basis.

Salaries refer to compensation paid to an employee for a period of time, usually one week.

Bonuses are special payments for exceptional work.

Premiums are incentive payments for producing more of something than usual.

Commissions are compensations paid an employee as a percentage of a sales.

Fringe Benefits

Fringe benefits are costing most employers 35 to 40 percent of payroll. It is important that small business owners manage this expense.

Several types of fringe benefits offered are:

Pension Plan is a plan to provide an income for an employee after retirement. Funds are accumulated by a combination of insurance and investments.

Health and LIfe Insurance are plans that include hospitalization, surgery, accidents, or disability. Employers can assume the entire cost or share the cost with the employee.

Worker's Compensation is a form of insurance required by law. It provides benefits for employees and their families who suffer an accident, illness, or death as a result of their jobs.

Employee Discounts gives employees a discount on certain purchases or services within the business.

Employee benefit packages are constantly changing. Employers strive to become competitive in order to attract and keep good employees.

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PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Managing Employer/Employee Relations

Competency/Task Develop an evaluation system for employees. Time Allotted 1 Hour

Performance Objective After reviewing the materials, the student will describe an evaluation system for employees that contains four major components.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes.	Student activity sheet.	
2. Review related material.	"Supervising Employees", Chapter 7, Starting Your Own Marketing Business, Vivien King Ely and Michael T. Barnes, 1978, pp. 132-134. Guest speaker.	Learning Pacer, p. 134.	All students will complete this objective with 100 percent accuracy.

3. Develop an evaluation system for employees.

Most small business owners agree that the work performance of each employee should be evaluated periodically. This is done not as a basis for a raise but to indicate ways in which the employee can improve. Employee evaluation forms are available, or the small business owner can design a rating sheet for the particular business. Normal salary or wage interviews are conducted at the end of three months for new employees, and then every six months or annually, depending on company policy.

The following categories should be considered in an employee's evaluation:

ABILITY TO FOLLOW INSTRUCTIONS

___ Uses initiative in interpreting and following instructions

___ Usually follows instructions with no difficulty

___ Follows instructions with some difficulty

___ Needs repeated detailed instructions

APPEARANCE

___ Exceptionally neat and appropriately dressed

___ Neat and appropriately dressed

___ Satisfactory appearance and dress

___ Sometimes neglectful of appearance and dress

ATTITUDE TOWARD WORK

___ Takes a keen interest in the training and takes initiative to learn

___ Shows interest in training and has desire to learn

___ Has some interest in the training

___ Shows little interest or enthusiasm for the training

ATTENDANCE AND PUNCTUALITY

___ Never absent of late without good cause

___ Seldom absent or late without good cause

___ Occasionally absent or late

___ Frequently absent or late

COOPERATION

___ Always cooperates eagerly and cheerfully

___ Usually cooperates eagerly and cheerfully

___ Cooperates willingly when asked

___ Cooperates reluctantly

PUBLIC RELATIONS

___ Extremely tactful and understanding in dealing with all types of customers

___ Usually poised, courteous, and tactful in dealing with people

___ Tries to please customers

___ Sometimes lacks poise and seems indifferent to others

DEPENDABILITY

___ Meets all obligations unfailingly without supervision

___ Meets obligations with very little supervision

___ Meets obligations under careful supervision

___ Sometimes fails in obligations even under careful supervision

EXPENSE CONSCIOUS (Materials and Equipment)

___ Extremely careful in using materials and equipment

___ Uses good judgement in using materials and equipment

___ Takes average care in using materials and equipment

___ Careless about equipment and materials

JOB SKILLS

___ Possesses all of the essential skills and related information

___ Has an above average command of the essential skills and related information

___ Has an acceptable command of the skills and related information

___ Lacks in the essential skills and related information

OBSERVANCE OF RULES

___ Always observes company rules

___ Seldom disregards company rules

___ Observes most of the company rules

___ Frequently neglects company rules

QUALITY OF WORK

___ Has aptitude for doing neat, accurate work and exceeding the requirements

___ Does more than required amount of neat, accurate work

___ Does normal amount of acceptable work

___ Does less than required amount of satisfactory work

WORK AREA

___ Keeps work area outstandingly neat and efficiently organized

___ Takes pride in appearance and arrangement of work area

___ Follows good housekeeping rules

___ Allows work area to become disorganized and untidy

OVERALL EVALUATION OF STUDENT'S TRAINING

___ Outstanding

___ Above average

___ Average

___ Below average

___ Poor

Source: West Virginia Evaluation Form For On-the-Job Instructors, Mountaineer High School, Cooperative Vocatinal Education Program, Student Training Station Progress Report, pp. 13-14

Protecting your Business

INTRODUCTION

A business faces many risks, and you should be aware that there is no way to avoid all of them. As an entrepreneur, you must be able to identify the kinds of risks that your business will face. A lifetime of work can be lost in a very short time if adequate insurance protection is not maintained. A sound insurance protection plan is just as important to the business as good financial management, managerial planning or any other business function.

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL
TEACHING PLAN

Program _____ Teacher _____

Major Division Entrepreneurship

Unit Protecting Your Business

Competency/Task Identify the three types of insurance required by an entrepreneur. Time Allotted 1 Hour

Performance Objective Upon reviewing the material, the student will identify the three types of insurance required by an entrepreneur with 100 percent accuracy on a written test.

Class Activities (Application)	Supplementary Materials (Resources)	Procedure For Evaluation	Level Of Achievement
1. Discuss lecture notes.	Teacher lecture notes.	Student activity sheet.	
2. Review related	Law and Insurance - Unit 10, Small Business Management, 4th Edition, Raymond T. Hubbard and William D. Harles, Jr., 1988, pp. 251-280. Is Insurance Really Necessary?, Unit 13, Owning and Operating a Small Business: Strategies for Teaching Small Business Ownership and Management, Joseph Cronin, 1976, p. 122. Guest speaker,	Unit quiz, pp. 280-283.	All students will complete this objective with 100 percent accuracy.
3. Complete the assessment.	Assessment, PACE - Instructor's Guide, Level 1, p. 203.		

UNIT VIII PROTECTING YOUR BUSINESS

1. Identify the three types of insurance required by an entrepreneur.

Insurance covers the cost of damages but doesn't remove the risk.

Businesses can be insured against fire, theft, or an accident that occurs on your business property. You cannot buy insurance that covers your losses due to a change in economic conditions in your area, or from competition or bad management practices.

Insurance is a protection plan that helps reduce financial risk. By buying insurance, a business joins with many other companies to create a pool of money to pay for losses. Some entrepreneurs choose not to purchase insurance. Listed below are reasons for not buying insurance or buying less insurance:

1. You can withstand losses yourself.

2. You can opt for a loss prevention program.

3. You can transfer risk to others.

One of the most common risks is that of potential loss due to crime.

Shoplifting - Small businesses are vulnerable due to the lack of adequate supervision.

Bad check losses - Small businesses must develop policies and procedures for check cashing or payment by check.

Employee theft - Effective personnel policies and procedures can help you create a positive working atmosphere and discourage employee theft.

Burglary and robbery - These are external threats to an entrepreneur. Prevention of both crimes is based on good cash handling procedures, sound opening and closing routines, and adequate safeguards to protect your building.

Several risks such as fire, natural disasters, bad debt losses, personal injury claims, and product liability claims, the entrepreneur has no control over the situation or event.

Changes in business competition or economic conditions are not insurable.

Two major difficulties in selecting insurance:

1. Selection of appropriate insurance.

2. Find insurance that is affordable.

Purchasing insurance is just one part of a complete protection program for your business. Sound business management practices compliment such insurance coverage.

Source: PACE, Unit 18, Level 1

ENTREPRENEURSHIP STUDENT ACTIVITY GUIDE

BEST COPY AVAILABLE

Understanding the Nature of Small Business

UNIT I UNDERSTANDING THE NATURE OF SMALL BUSINESS

Objectives

1. Develop a definition of small business.
2. Describe two reasons why small businesses are important to the economy.
3. List three advantages and disadvantages of operating a small business.
4. Identify characteristics of successful entrepreneurs.

UNIT I UNDERSTANDING THE NATURE OF SMALL BUSINESS

1. Develop a definition of a small business.

Small Business - What is it?

Small business is the part of our economic system that is characterized by individual "enterprise" or the willingness to try new things.

Examples include: grocery stores
janitorial services companies
bakeries
construction companies

A small business is one which is:

a. _____

b. _____

c. _____

d. _____

_____

Of more than 14 million business in the country, 99 percent are considered "small" business by the Small Business Administration Standards.

The <u>four</u> basic industries are:

1. _____

A. _____

_____

B. _____

C. _____

D. _____

_____

<u>Size standards</u> - less than 9 million dollars in annual sales.

2. _____

A. _____

_____

B. _____

C. _____

1. _____

2. _____

3. _____

4. _____

5. _____

Size standards - less than 2 million dollars in annual sales.

3. _____

A. _____

B. _____

_____

C. _____

_____

D. _____

1. _____

2. _____

3. _____

4. _____

Size standards - less than 2 million dollars in annual sales.

4. _____

A. _____

_____

B. _____

_____

C. _____

_____

Size standards - less than 250 employees.

An economy grows when new resources, or factors of production, are put to work. Land, labor and capital are the three basic factors to production. The fourth is entrepreneurship. Entrepreneurs are people of vision and originality who create new enterprises or business. They are the ones who

1. raise money
2. organize the business
3. manage the business

Factors most often cited as contributing to a successful small business venture:

1. _____

2. _____

3. _____

4. _____

5. _____

Sources:

- Cronin, Joseph M.: Owning & Operating a Small Business Strategies for Teaching Small Business Ownership & Management, University of Illinois, June, 1976 pp. 8-9

- PACE Module (Ohio State University) Unit I Level 1 pp. 3-6

- PACE Module (Ohio State University) Unit II Level 1 p. 9

2. Describe two reasons why small businesses are important to the economy.

Readings

Small Businesses Have a Big Economic Role

Small business is everywhere. From the smallest hamlet tucked into a Kentucky hallow to the busiest street in New York City, small business and industry are the rule rather than the exception. Small businesses have infinite variety. They come in a multitude of sizes, ranging from part-time cottage industries to the sizable businesses that line the streets of urban and rural America.

There is no consensus on a definition of small business. Definitions have been based on the number of employees, the gross income of the firm, the method of ownership and management, and numerous other measures of size and business activity. For our purposes, small business will be defined in terms of management and control.

The Minnesota model for management education, which I will discuss in detail, is based upon the concept that the management and control of the business separates small from large business. A business where one or more persons have direct control over the management decisions of the firm is classified as small. Regardless of size, corporate structures with salaried management personnel and ultimate decision making authority over their subsidiaries will not be considered small businesses.

By any definition, small businesses are numerous. There are approximately 13 million business enterprises in the United States. About three million are farms, leaving ten million firms of all sizes and descriptions engaged in business and industry. Of the non-farm businesses, over 90 percent employ fewer than 20 people.

Further evidence of the numbers of small businesses comes from their sales records, which show that approximately 90 percent of the proprietorships, almost 90 percent of partnerships and 63 percent of the corporations have sales of less than $200,000. On the basis of management and control, 86 percent of the businesses are organized as sole proprietorships or partnerships.

Even more striking is the role that small business plays in the nation's economy. Business economists generally agree that small businesses employ over half of the nation's non-government work force. Collectively they contribute about 48 percent of the total business output and generate over 40 percent of the nation's gross national product. When one considers that small businesses are scattered across the country, it is easy to imagine the effect that business success or failure has on all of the nation's communities.

SMALL BUSINESS CAN GENERATE AND SAVE JOBS

One of the overarching problems faced in America is the need to generate more employment. If small businesses provide the workplace for over half of the nation's non-government workers, efforts to improve the management and success of small business should have a direct effect on the development and saving of jobs.

It is a well-established fact that the number of business closures each year exceeds 400,000. If each business employs only three persons, including the proprietor, such business closures, thrust over a million workers into the labor market. What effect would it have on the economy and the labor supply of the country if half of the business closures could be prevented by a concerted effort to improve the management of the firm? The results, of course, would be dramatic.

Likewise, improving the management of firms that are not in danger of failing could affect their ability to expand part-time and full-time employment. Job development and creation will occur in small business only when there is some probability that the added workers will contribute to the goals of the firm.

WIDESPREAD LACK OF MANAGEMENT SKILLS

While the magnitude of business failures is certainly one way to highlight the need for business training, examining the levels of preparation for entrepreneurship of persons now engaged in business is even more revealing. The vast majority of business entrepreneurs have had no formal training in business operation or management.

A survey of Minnesota business operators revealed that the average business operator in the sample had less than 13 years of formal schooling. While most of the public universities in the state have business management components in the curriculum, few business operators have taken advantage of them in preparation for operating their businesses. The notion that there is a shortage of management skills is supported by the Small Business Administration, which reports that most business failures are attributable to poor management.

The need for educational programs has been well established. Not only does small business have a large stake in the nation's economy, but entrepreneurs have been poorly prepared for their work role. The Minnesota program for small business management education was developed, tested, evaluated and disseminated in attempt to serve a broad educational need for entrepreneurship training.

Source: Persons, Edgar A. Helping Small Businesses Make It - #1 Critical Issues Series, Arlington, Virginia: American Vocational Association, 1978, pp. 3 - 4

FREE ENTERPRISE

"How Entrepreneurs Make It Work"

What is an Entrepreneurer?

Requirements for Entrepreneurs

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

DEFINE

Profits _____

_____

Capitalist _____

_____

Capital _____

_____

Human Capital _____

_____

Physical Capital _____

_____

STUDENT ACTIVITY SHEET

UNIT I UNDERSTANDING THE NATURE OF A SMALL BUSINESS

3. List three advantages and disadvantages of operating a small business.

Advantages of a Small Business

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

Disadvantages of a Small Business

First two years of operation are critical.

SBA estimates that at least 90 percent of all small business failures can be attributed to bad management.

Reasons include:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____

STUDENT ACTIVITY SHEET

UNIT I UNDERSTANDING THE NATURE OF SMALL BUSINESS

4. Identify characteristics of successful entrepreneurs.

Entrepreneurship

Each year thousands of individuals launch new business enterprises. By meeting the needs and desires of consumers, they build rewarding careers for themselves as entrepreneurs.

ENTREPRENEURS _____

_____

ENTERPRISE _____

_____

ENTREPRENEURSHIP _____

To create a new enterprise is to cause something to come into being. It requires three key skills:

1. _____

2. _____

3. _____

The needs of the marketplace change according to how developed a nation is and how well off its people are. Today's and tomorrow's entrepreneurs will have to anticipate these changing needs if they are to be successful. The health of our nation, now and in the future, depends on how healthy our economy is. Entrepreneurs are a vital part of our way of life and part of making our lives better.

It would be a mistake to assume that everyone can be a business owner. In addition to needing capital, suitable opportunity and motivation, there are personal characteristics of successful entrepreneurs that set entrepreneurs apart. They include people who are or have:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
   _____
7. _____
8. _____
   _____
9. _____
10. _____
    _____
    _____
11. _____
12. _____
13. _____
14. _____

Facts About Entrepreneurs

1. _____

2. _____

3. _____

_____

4. _____

_____

5. _____

6. _____

7. _____

8. _____

SOURCE: Spewock, Michael, Entrepreneurship: A New Direction for Education, Indiana University of Pennsylvania, 1986 -87, pp. 11 - 14.

Learning Experience II

WHAT ARE YOUR PERSONAL RESOURCES?

The most important factor in your future success as an entrepreneur is your personal resources. Personal resources are the SKILLS, KNOWLEDGE, AND ATTITUDES that you have gained from all the experiences you have had in life--in school, at home, at work in part-time jobs, or in the hobby and sports activities in which you have participated.

* *

SURVEY OF YOUR PERSONAL RESOURCES

DIRECTIONS: Answer each statement in the survey by checking the response that best describes your personal resources.
REMEMBER: Be honest with yourself!

1. MOTIVATION

/ / a. I am a self-starter. I do things on my own without being pushed, coached, or supervised.
/ / b. I can keep going once I get started, but I need someone to give me a shove.
/ / c. I don't put myself out for anybody unless I really have to.

2. ORGANIZATION

/ / a. I like to make a plan before I begin a task. This way, I can follow through without problems.
/ / b. I usually do OK if I don't plan a task. If things get messed up, I go back and start all over again.
/ / c. I find that my best plans don't work, so why bother? I take things as they come and "go with the flow."

3. RESPONSIBILITY

/ / a. I love to be in charge of things! When I take charge, I follow through and get things done.
/ / b. I'd rather let someone else be the leader. I don't like to be blamed if something goes wrong.
/ / c. I'm not quite sure of myself when the burden rests on my shoulders.

4. DECISION MAKING

/ / a. I can make up my mind quickly. I'm usually right, too!
/ / b. I need plenty of time to think things out. If I decide in haste, I often feel I made an error.
/ / c. I HATE decisions. They don't turn out right anyway.

5. WORK HABITS

/ / a. As long as I see a purpose in my work, I can work forever!
/ / b. I can work hard for a while but won't overdo it.
/ / c. There's no way I will work hard! Where does it get you?

6. PERSEVERANCE (STICKING TO IT)

/ / a. When I make up my mind, nothing can stop me!
/ / b. I stick to something I start, but if I mess up, I quit.
/ / c. If I am successful with something right away, I'll stick with it; if not, I quit.

7. HEALTH

/ / a. I'm in excellent health. I never get tired.
/ / b. I can work for an average eight-hour day--no more.
/ / c. I seem to tire out before everyone else.

8. TRUST

/ / a. I speak the truth all the time. I won't say something if I can't honor my word.
/ / b. I usually speak the truth, but sometimes a white lie is necessary.
/ / c. If the other person doesn't know the difference, why try to tell the truth all the time?

9. SUPERVISION

/ / a. People see me as a leader, and they go along with what I say.
/ / b. If my boss gives me instructions, I can order others around.
/ / c. I let the boss start the ball rolling, then I go along.

10. PEOPLE

/ / a. I like people; they like me. I can get along with everybody.
/ / b. I choose my friends carefully. I don't need too many, though.
/ / c. People get on my nerves most of the time.

11. COMPETENCE

/ / a. I am good at what I try to do, whatever it is.
/ / b. I can be good at what I do if I think it's important.
/ / c. I am as good as I have to be to get by.

12. DETERMINATION

/ / a. If I make up my mind to do something, NO ONE can stop me!
/ / b. When I make up my mind to do something, I'll do it if things go well.
/ / c. When I make up my mind to do something, I may or may not finish it.

13. FINANCES

/ / a. If I need money to do something I find interesting, I'll work at ANYTHING to earn it.
/ / b. I depend on my savings when I want to buy something.
/ / c. I never have money very long; I spend it as soon as I get it.

14. EXPERIENCE

/ / a. I have experience in doing many different things.
/ / b. I don't have much experience in any one thing.
/ / c. I don't have much experience in doing anything.

15. DEADLINES

/ / a. I will do anything to meet a deadline! I'll work twenty-four hours straight if I have to.
/ / b. I try to meet deadlines when they don't conflict with other things that are important in my life.
/ / c. Deadlines don't mean much to me. Nothing is so important that it can't wait another day or two.

16. SELF-DISCIPLINE

/ / a. When I start a job, I don't let myself get sidetracked by anything, no matter how boring the job is.
/ / b. When I start a job, I will work at it for a while but will stop if the job gets too boring.
/ / c. Life is too short to spend on any job that is too difficult or too boring. I'd rather spend my time doing something else.

Developing a Business Plan

UNIT II DEVELOPING A BUSINESS PLAN

Objectives

1. Establish priorities and goals for a business.
2. Prepare a marketing strategy.
3. Develop a business plan.

STUDENT ACTIVITY SHEET

UNIT II DEVELOPING A BUSINESS PLAN

1. Establish priorities and goals for a business.

   A. Goal Setting and the Entrepreneur
      Discussion questions.

1. What are some advantages of planning?

_____

_____

_____

2. Why do plans fail?

_____

_____

_____

3. How are decision making and human relations important in effective planning and goal setting?

_____

_____

_____

4. What are some characteristics of a good plan?

_____

_____

_____

5. What is the difference between goal-oriented and activity-oriented plans? Which is more effective?

_____

_____

_____

6. Examine the chart "Planning: Its Diseases, Symptoms and Cures" carefully. Are any of the "diseases" problems for you? What can you do about them?

_____

_____

_____

STUDENT ACTIVITY SHEET

UNIT II DEVELOPING A BUSINESS PLAN

1. Establish priorities and goals for a business.

B. How to Make the Least of Planning
Discussion questions.

1. How do the tips on making the least of planning relate to inner control?

2. What aspects of good human relations are involved in planning?

3. List at least three ways that the importance of flexibility is stressed in this article.

4. What are some problems created by setting objectives too high or too low? How might it be difficult to set objectives at a realistic level?

5. From the discussion in the article, compile a list of seven guidelines on how to make the most of planning.

6. How does good planning affect the types of decisions which need to be made?

UNIT II DEVELOPING A BUSINESS PLAN

1. Establish priorities and goals for a business.

C. Make Effective Use of Time

DAILY PLANNER

Date _____

THINGS TO DO:

A.M.

7:00 _____

8:00 _____

9:00 _____

10:00 _____

11:00 _____

P.M.

12:00 _____

1:00 _____

2:00 _____

3:00 _____

4:00 _____

5:00 _____

6:00 _____

7:00 _____

8:00 _____

9:00 _____

10:00 _____

11:00 _____

PRIORITIES

TOP _____ MEDIUM _____

_____ _____

HIGH _____ LOW _____

_____ _____

Source: Spewock, Michael, "Make Effective Use of Time" Learning Experience VI, Entrepreneurship: A New Direction for Education, Indiana University of Pennsylvania, 1986-87, p. 67

STUDENT ACTIVITY SHEET

UNIT II DEVELOPING A BUSINESS PLAN

2. Preparing a marketing strategy.

Marketing includes all of the activities involved in the exchange of goods and services between producers and consumers. Marketing activities must be done in such a way that everyone who participates in the exchange process is satisfied.

A business must be able to market its products so that it can make a profit and also satisfy its customers.

The marketing concept is _____

_____

The concept is based on three basic beliefs:

1. _____

2. _____

3. _____

Four elements of the marketing process are important to the new enterprise:

1. _____

2. _____

3. _____

4. _____

All marketing activities can be grouped within eight functions:

1. _____ 5. _____

2. _____ 6. _____

3. _____ 7. _____

4. _____ 8. _____

STUDENT ACTIVITY SHEET

PREPARING A MARKETING STRATEGY (continued)

To market your products, you will have to complete each of these functions:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____

The benefit of a marketing function is _____

_____

_____

STUDENT ACTIVITY SHEET

PREPARING A MARKETING STRATEGY (continued)

An effective marketing plan contains two basic processes:

1. Target Market

_____

_____

_____

_____

REMEMBER: You can't expect to establish a business that will be all things to all people.

To develop a customer profile, you basically want to know:

_____

_____

_____

_____

2. Marketing Mix

_____

_____

_____

_____

UNIT II DEVELOPING A BUSINESS PLAN

3. Develop a business plan.

A business plan is a very important document to you as a future entrepreneur. This plan is required by agencies who might be considering investing or lending you money for your proposed business.

Define a business plan.

_____

_____

There are three major reasons for developing a business plan:

1. _____

2. _____

3. _____

There are four basic parts of a business plan and typical questions answered in that section are:

1. _____

2. _____

3. _____

4. _____

Define:

Income Statement _____

_____

Gross Profit _____

_____

Net Profit _____

_____

DEVELOP A BUSINESS PLAN (continued)

Estimated Sales _____

_____

Cost of Goods Sold _____

_____

Inventory _____

_____

Operating Expenses _____

_____

No business plan, no matter how carefully constructed, will be of any use at all unless you use it. Going into business is rough - over half of all new business fail within the first two years of operation.

A major reason for failure is a lack of planning. The best way to enhance your chances of success is to plan and follow through on your planning with action.

BUSINESS PLAN PROJECT

_____
Name of Enterprise

_____
Your Name

_____
Type of Business You Are Planning

_____
..her's Name

_____
Small Business Person Interviewed

_____
School or Organization

_____
Name of Their Business

_____
Address

_____
Type of Business They Operate

BUSINESS DESCRIPTION

1. Type of Business you are planning for (retailing, manufacturing, services; distribution; high-technology).

2. Name of Business _____

   Why did you select this particular name?_____

3. List all of the Products/Services you plan to sell _____

4. Status of Enterprise (start-up, take-over, franchise, family business)

5. Legal Form of Organization (sole proprietorship, partnership, corporation)

6. Location (downtown, small shopping center, mall, free standing). Why do you want to be in this location?

7. List Hours of Operation you are planning for _____

8. Price Range of Products/Services you plan to offer (low, moderate, high)

9. Personnel Needed

Part-time/Full-time	Skills they should have	Where would you find them

10. Consultants Needed (accountant, lawyer, consulting firms, etc.)

_____

_____

11. List Your personal Skills and Experiences _____

_____

_____

12. List your likes and dislikes as they pertain to running a business

_____

_____

_____

13. Licenses or Permits needed for Operation (local, county, state, or federal)

_____

_____

14. Why do you think your business will be successful? (What do you plan to do better or cheaper than your competition?)

_____

_____

_____

MARKETING PLAN

Target Market

15. Potential Customers (who will you sell to?) Individual consumers or other businesses

16. What type of person/business might need your products/services (describe by age, sex, geographic, socio-economic, ethnic)

17. What is the image you wish your business to portray (discount/quality; full serve/self serve, etc.)

Promotion

18. List all Advertising and Promotion ideas for your Grand Opening

19. List all your Advertising and Promotional ideas to be used throughout the First Year you are in business

20. Estimate the Cost of Advertising/Promotion for the First Year in business

$_____

21. List your Main competition; on a scale of 1 to 5 Rate Each of your competitors

Name 1 2 3 4 5
(Little competition) (Fierce competition)

_____

_____

_____

_____

_____

22. List other kinds of businesses which are located in the area where you plan to open

_____

_____

_____

_____

23. Physical Requirements of Location (How many square feet do you need?)

_____

24. Approximate Rent of Proposed Location/month $_____

- Are taxes included in the lease or are they extra? _____

_____

- Is maintenance included or extra? _____

- Does the lease have an override clause? _____

- Does the lease require you spending a certain amount on advertising?

_____

25. Use the space below to sketch a proposed layout of your operation

26. List all of the equipment you will need to open your business and indicate the cost of the equipment

Equipment	Cost
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
TOTAL	_____

27. List the actual inventory and costs needed to open your doors for business

Inventory	Cost
_____	_____
_____	_____
_____	_____
_____	_____
TOTAL	_____

28. List the names of your suppliers, what they sell, and the terms they do business by

Suppliers	Product/Service Offered	Terms
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

FINANCING THE ENTERPRISE

29. List your Start-up costs

Equipment, machinery _____

Installation charges _____

Decorating, remodeling _____

Inventory or raw materials _____

Utility deposits _____

Accounting, legal fees _____

Licenses, permits _____

"Grand Opening" promotion _____

Other _____

30. Estimate to the best of your Ability what you think your sales for each of the first six months you are in business

Month	1	2	3	4	5	6	TOTAL
Sales (Income)							

Estimate your Expenses

	MONTHS 1	2	3	4	5	6	TOTAL
- Gross Wages for Employees							
- Payroll Taxes							
- Gross Wages for Proprietor/ Partner							
- Rent							
- Advertising, Promotion							
- Shipping, Travel, Car							
- Office & Operating Supplies							
- Telephone, Gas, Water & Electricity							
- Insurance							
- Taxes							
- Debt Interest							
- Debt (Loans)							
- Repairs, Maintenance							
- Accounting, Legal Fees							
- Inventory							
- Other							

31. Total Income _____

- Total Expenses _____

Gross Profit (Loss) for the first six months _____

32. Amount of Working Capital Needed for the first six months

_____

33. How many customer do you need to pay your bills each month and what would their average purchase have to be?

Number of customers _____

Average purchase $_____

34. Personal Financial Needs; How much do you Presently need to live on each month? List all of your expenses

_____

_____

_____

_____

_____

35. Plans for Financing--How are you planning to come up with your initial investment and six months of working capital? Indicate the amount you plan to raise from the following sources.

Leasing/renting _____

Loans _____

Personal Funds _____

Family Funds _____

Suppliers _____

Previous Owner/Franchising Company _____

Other _____

Total Amount Needed To Finance Enterprise $_____

36. When would you like to get started?

_____ as soon as possible

_____ within 2 years

_____ within 5 years

_____ no start date in mind

_____ never planning to really start

Identifying Types of Ownership and Legal Responsibilities

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

Objectives

1. Identify the proper legal form for business organizations.
2. Define a contract.
3. Comply with government regulations.

STUDENT ACTIVITY SHEET

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

1. Identify the proper legal form for business organizations.

OWNERSHIP

When you are planning to start your business, you have to decide which type of ownership would be best for your firm. The form of your business determines how it will be regulated and taxed by government agencies. Taxes, particularly federal income taxes are a major item of personal and business expense. The legal form of business you select could determine whether or not you make a profit. This is because different legal forms of organization are subject to different taxes.

Consider the following influences that determine the appropriate form of business for you.

1. _____
   _____
2. _____
   _____
3. _____
   _____

The five types of ownership are:

1. _____
2. _____
3. _____
4. _____
5. _____

_____

1. The most common form of business organization.
2. Operated by one person.
3. Limited capital resources.
4. Typical examples include:

_____

_____

_____

_____

Advantages

1. _____
2. _____
3. _____

Disadvantages

1. _____
2. _____
3. _____

_____

1. Two or more co-owners.
2. Law and medical firms are typical examples.

Advantages

1. _____
2. _____
3. _____

Disadvantages

1. _____
2. _____
3. _____

General Partnership

Limited Partnership

1. A charter by the state is created to give the power to transact business, to enter into contracts, and to sue or be sued as a legal entity.

2. Owners are called stockholders.

Advantages

1.
2.
3.

Disadvantages

1.
2.
3.
4.

Charter S Corporation

_____

_____

_____

_____

_____

_____

_____

1. An organization of individuals with similar interests and problems who have joined together to perform certain activities.

2. Financed by selling shares to its members to whom it distributes its profits.

3. Farming, food co-ops, credit unions and group health co-ops are typical examples.

_____

Advantages

1. _____
2. _____
3. _____

Disadvantages

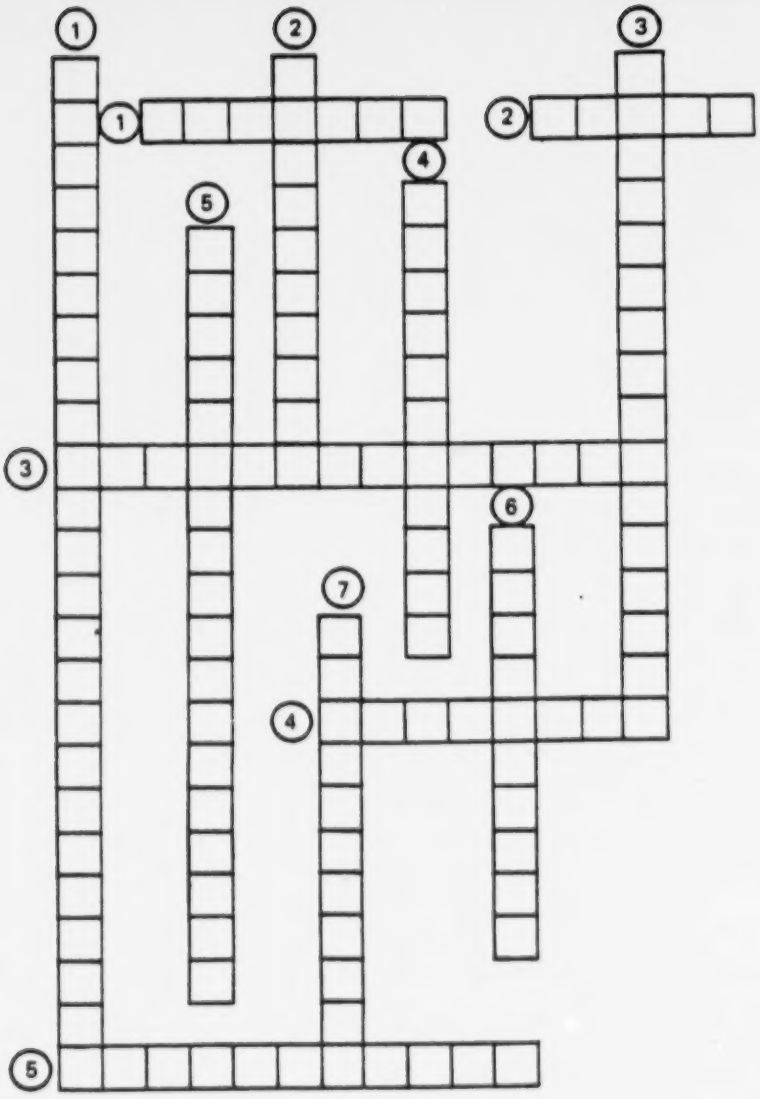
1. _____
2. _____

Franchisor _____

_____

Franchisee _____

_____



CROSSWORD PUZZLE CLUES

ACROSS

1. Granted to a corporation by a state official.
2. Represents ownership in a corporation.
3. Person who invests in business but has no voice in management.
4. People who actually run the corporation.
5. When two or more people own a business.

DOWN

1. When one person is owner of a business.
2. In franchise business, the distributor.
3. They elect the officers of the corporation.
4. The most formal of all business structures.
5. When each member of a partnership is responsible for all debts owed by the partnership.
6. In franchise business, the parent company that provides product/service.
7. Person who owns a share of the corporation.

Source: Choosing the Type of Ownership, Unit 5, Level 1, Handout No. 1, p. 141

Name _____ Date _____

ENTREPRENEURSHIP TEST

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

1. Identify the proper legal form for business organizations.

Define the following terms:

A. Proprietorship

B. Partnership

C. General Partnership

D. Limited Partnership

E. Corporation

F. Chapter S Corporation

G. Cooperatives

H. Franchise

I. Franchisor

J. Franchisee

K. Charter

L. Stockholder

M. Stock

N. Royalty

O. Initial Fee

STUDENT ACTIVITY SHEET

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

2. Define a contract.

CONTRACTS

The small business owner needs to know how to deal with legal issues. The proper handling of legal issues can help contribute to your business success. Improper handling of these issues can cause business failure.

Contracts

_____

_____

_____

_____

_____

_____

A written contract is advised when the following conditions are present:

1. _____

_____

2. _____

_____

3. _____

_____

4. _____

_____

5. _____

_____

The five essential components of a contract are:

AGREEMENT _____

_____

_____

CONSIDERATION _____

_____

_____

CONTRACTUAL CAPACITY _____

_____

_____

LEGALITY OF PURPOSE _____

_____

_____

REALITY OF CONSENT _____

_____

_____

STUDENT ACTIVITY SHEET

UNIT III IDENTIFYING TYPES OF OWNERSHIP AND LEGAL RESPONSIBILITIES

3. Comply with government regulations.

CHECKLIST FOR GOING INTO BUSINESS

1. Identified the proper legal form of business.

2. Signed a contract or business agreement.

3. Registered your business name.

4. Filed with the Department of State the fictitious name of your business on form DSCB 54-311.
   a. Advertised your fictitious name in two newspapers.

5. Registered your business with the Internal Revenue Service of the federal government on the SS-4 Application for Employer Identification Number.

6. Secured an Employer's Identification Number.

7. Secured a special license or permit to run your business.
   If yes, what agency controls your licensing requirements?

   _____

   _____

   _____

8. Displayed an occupancy permit for the building.

9. Obtained an employer's social security identification number.

10. Secured a permit or license to collect sales tax.

11. Complied with zoning laws where the business will be located.

12. Met all local fire regulations.

Promoting your Business

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP

UNIT IV PROMOTING YOUR BUSINESS

Objectives

1. Describe three techniques used in advertising for small business owners.

2. Demonstrate a successful sales presentation.

3. Explain two methods of pricing products and services.

UNIT IV PROMOTING YOUR BUSINESS

1. Describe three techniques used in advertising for small business owners.

_____ is all of the activities of a business that inform customers about products and services. Examples include: displays, brochures, advertisements, and posters.

Business owners must not underestimate the importance of promotion. Customers need to have information (true and factual) that will help them make good buying decisions. Good promotions can help business owners attract new customers and keep old customers returning for services and additional sales through increased sales, sustained sales volume and reduced selling costs. The secret to good results is not so much the amount of money budgeted for promotion, but how it is spent.

ADVERTISING

Typical examples are: _____

_____

_____

_____

Define:

Advertising Copy _____

_____

Media _____

_____

Product Advertising _____

_____

Institutional Advertising _____

_____

List at least three goals entrepreneurs may attempt to achieve through advertising:

_____

_____

_____

SALES PROMOTION

Sales promotion includes all those activities which are designed to build sales by supplementing advertising and personal selling. Sales promotion activities are directed toward your customers, whether they are individuals or other businesses.

Sales promotion activities designed for consumers include coupons, in-store product demonstrations, free samples, store counter and window displays, contests, and information booklets.

Various services that one business performs for another are a type of sales promotion. The purpose of these services is to encourage retailers or dealers to carry certain products. Examples include booths set up at trade shows, free merchandise, training programs for salespeople, installing displays, sales manuals, and other selling aids.

Source: Hutt, Roger W., Entrepreneurship, Starting Your Own Business, Cincinnati: South Western Publishing Company, 1988, p. 141-142

Promotional planning involves five steps. Each of the following decisions should be made before any promotion is done:

A. _____

_____

B. _____

_____

C. _____

_____

D. _____

_____

E. _____

_____

When doing a promotional plan, keep in mind these basic principles:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

STUDENT ACTIVITY SHEET

UNIT IV PROMOTING YOUR BUSINESS

2. Demonstrate a successful sales presentation.

The American Marketing Association defines selling as "the personal or impersonal process of satisfying and persuading a prospective customer to buy a commodity or service, or to act favorably on an idea that has commercial significance to the seller". Selling is helping customers make decisions. Personal selling is the process of helping customers fulfill their needs in a face-to-face situation.

What motivates customers to buy?

Basic Needs _____

Secondary Wants _____

Rational Motives _____

Emotional Motives _____

Characteristics of successful sales people:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

REMEMBER, there are salespeople

who make things happen,

who watch things happen,

and those who wonder what happened.

Good salespeople make things happen.

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Important things to remember for a good sale:

1. _____

_____

2. _____

_____

3. _____

_____

SELF-ANALYSIS:
Are You A Salesperson?

How to Grade

Grade each point on the basis of 0 to 10. If you believe that you are what you should be, give yourself 10 points; if only medium, 5 points; and if entirely disqualified, give yourself a 0; give any intervening points for other values.

Apply your own knowledge. Consider what a discriminating person in full possession of the facts would give you.

When you have graded each of the 100 points, add the figures and place the sum in the proper place at the end of the column. Divide by 10 for your percentage of efficiency.

	GRADE YOURSELF HERE
A. APPEARANCE	
1. Is your expression pleasant?	____
2. Clothes spotless and pressed, shoes shined?	____
3. Are your clothes selected with taste—style, fit, color, harmony?	____
4. Do you look like you are master of yourself?	____
5. Are your manners pleasant and friendly?	____
6. Do you correct all appearance liabilities?	____
B. HEALTH	
7. Is your health a 100% business asset?	____
8. Is your health as important as money?	____
9. Do you observe the simple health rules regarding eating, drinking, breathing, and exercising?	____
10. Is your power of endurance above average?	____
11. Lost any workdays this year due to illness?	____

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GRADE YOURSELF HERE

C. FEARLESSNESS

12. Are you at ease before strangers or superiors? ____
13. Are you conscious of the new courage that results from acquired power? ____
14. Do you follow your own convictions? ____
15. Have you eliminated all fear of the future? ____
16. Do you meet problems squarely without evasion? ____
17. Do you use knowledge to banish fear? ____

D. SELF-CONFIDENCE

18. Are you sure of yourself at all times? ____
19. Do you use and apply your knowledge? ____
20. Do you start things with confidence rather than doubt and cold feet? ____
21. Are you confident about your own judgment? ____
22. Is action the result of your self-confidence? ____
23. Are you able to inspire confidence in others? ____

E. AMBITION

24. Is your life's aim big enough for your ability? ____
25. Do you back your ambition with decisive action? ____
26. Do you plan each day to advance a step? ____
27. Do you study the best ways for personal advancement? ____
28. Do you take full advantage of opportunities? ____
29. Are you eager to end well in life? ____
30. Would fulfillment of your ambitions make this world a better place? ____

GRADE YOURSELF HERE

F. WILL POWER

31. Is your will power trained for decisive action? ____
32. Can you shoulder responsibility without worry? ____
33. Do you control your temper and words? ____
34. Can you shed nonessential details? ____
35. Do you make enough time for self-development? ____
36. Is your will like "high-tempered steel"? ____
37. Is daily practice of your will power a habit? ____

G. CONCENTRATION

38. Do you train yourself to concentrate at will? ____
39. Are surroundings picked to favor concentration? ____
40. Does business study get undivided attention? ____
41. Can you concentrate for a long period? ____
42. Are you developing a clear, accurate, hard-thinking business mind? ____
43. Do you really "think" rather than kid yourself to believe you think? ____

H. SUGGESTION

44. Do you seek the value of positive ideas? ____
45. Do you avoid negative suggestions? ____
46. Is indifference allowed to hinder progress? ____
47. Do your manners serve as positive suggestions? ____
48. Do you use the power of self-suggestion? ____

I. TACT

49. Do you get along well with most people? ____
50. Do you try to "lead" rather than "boss"? ____

GRADE YOURSELF HERE

51. Do you avoid loss of temper and sarcasm? _____
52. Do you avoid hasty remarks that hurt others? _____
53. Do you always practice the highest courtesy? _____
54. Do you always express appreciation when due? _____

J. INTEREST

55. Are you deeply interested in your own work? _____
56. Do you make careful daily observation of your work to improve it? _____
57. Are you interested in the human problem of business management? _____
58. Do you observe people's features and study their characters? _____
59. Do you endeavor to read people's thoughts to anticipate their needs? _____
60. Have you a scientific interest in problems of modern business? _____
61. Are you yourself your greatest object of constructive study? _____

K. SINCERITY

62. Is your word as good as a bond? _____
63. Do you have high ideals of life and service? _____
64. Is your work interesting rather than routine? _____
65. Do you stand loyally by your deserving friends? _____
66. Are you sincere even though it sometimes results in apparent disadvantages? _____
67. Are you honest for other reasons than because "it pays"? _____
68. Do you practice what you demand from others? _____

L. ALERTNESS

69. Can you understand viewpoints of others? _____
70. Are you quick to understand instructions? _____
71. Are you known as a wide-awake person? _____

GRADE YOURSELF HERE

M. MEMORY

72. Is your memory excellent? ____
73. Do you train your memory for improvement? ____
74. Do you remember names as easily as faces? ____
75. Can you forget nonessential facts? ____
76. Do you depend on trained memory power rather than short-cut methods? ____
77. Do you consciously combat every tendency to absentmindedness? ____

N. EFFECTIVE SPEECH

78. Do you talk without hesitation? ____
79. Are your ideas clearly and logically organized? ____
80. Are you master of yourself? ____
81. If eating with superiors, are you at ease? ____
82. Do you convince people? ____
83. Do you secure the desired action from people? ____

O. INITIATIVE

84. Do you seek opportunities to better yourself? ____
85. Do you make plans to realize your goal? ____
86. Do you have to be "told" less than the average? ____
87. Do you make constructive suggestions freely? ____
88. Are you systematically developing your power of constructive imagination? ____
89. Are you right now thinking of how to profit by use of this chart? ____
90. Are you able to meet new situations with dispatch and confidence? ____
91. Does experience prove your ideas practical? ____

GRADE YOURSELF HERE

P. RELIABILITY

92. Are you known as a person who "gets things done"? _____
93. Are you trustworthy in little things? _____
94. Is your credit good at all times? _____
95. Do you keep your promises and appointments? _____
96. Are you reliable in all of your work? _____
97. Is your judgment so sound and reliable that it is sought by others? _____
98. Do you establish your "reliability" as thoroughly as your "ability"? _____
99. Do you deliver dependable results without supervision? _____
100. Are you absolutely loyal to your organization? _____

TOTAL POINTS

YOUR PERCENTAGE OF EFFICIENCY
(Divide above sum by 10)

SOURCE: Weirauch, B. "Self-Analysis for Salesmen." *Sales Management Guide*. Chicago: Dartnell Corp., 1973.

Source: Instructor's Guide, Unit 14, Level 1, PACE Module, The Ohio State University

STUDENT ACTIVITY SHEET

UNIT IV PROMOTING YOUR BUSINESS

3. Explain two methods of pricing products and services.

The three basic or common pricing principles:

1. _____

2. _____

3. _____

Define:

Price _____

_____

Mark-up _____

_____

Delivered Cost of Goods _____

_____

Retail Price _____

_____

Skimming Pricing Policy _____

_____

Penetration Pricing Policy _____

_____

Starting your own Business

UNIT V STARTING YOUR OWN BUSINESS

Objectives

1. Select a location for the business.
2. Obtain financial and technical assistance.

UNIT V STARTING YOUR OWN BUSINESS

1. Select a location for the business.

Locating the Business

The business location can "make or break" the firm. The small business owner must select the "right" site for the business.

Locating a business is a very important decision. The wrong decision can cause a business failure almost before it gets started. Often the location is chosen because a building or piece of land is vacant or because the site is located close to the home of the owner. These are poor reasons for picking a business location. (PACE MODULE - Unit 7, p. 4)

GENERAL FACTORS THAT SHOULD BE CONSIDERED WHEN SELECTING A LOCATION

Economics

A major concern in locating an area for a small business is the economic base of the area. The entrepreneur needs to answer the following questions:

1. _____
2. _____
3. _____
4. _____

Population

Owners of a small business should identify the groups of people from which they believe most of their customers will come.

_____

_____

Competition

Three conditions are favorable for opening a new firm:

1. _____
2. _____
3. _____

SPECIFIC FACTORS THAT EFFECT BUSINESSES

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

Advantages of Leasing

1. _____
2. _____
3. _____

Advantages of Owning

1. _____
2. _____

Five factors to consider when planning for a building layout.

1. _____
2. _____
3. _____
4. _____
5. _____

List four places a future entrepreneurer can find data to support a proper location of a business.

1. _____
2. _____
3. _____
4. _____

UNIT V STARTING YOUR OWN BUSINESS

2. Obtain financial and technical assistance.

Financial Assistance

Financing a new business means getting the money necessary to start it and to keep it going. Money is the fuel that powers the business. Financing is one of the keys to successfully starting a business. Without it, your chances of surviving and making a profit are poor. Several important costs need to be estimated prior to going to a loan company.

START UP COSTS

_____

_____

_____

_____

_____

_____

OPERATING EXPENSES

_____

_____

_____

_____

_____

_____

PERSONAL EXPENSES

EQUITY FINANCING

DEBT FINANCING

BANK GUARANTEED LOANS

DIRECT LOAN

FRANCHISE CREDIT

TRADE CREDIT

PROFIT AND LOSS STATEMENT

CASH FLOW STATEMENT

BALANCE SHEET

UNIT V STARTING YOUR OWN BUSINESS

2. Obtain financial and technical assistance.

Technical Assistance

Technical assistance is the term used to describe the outside help you will need to open and operate a small business. The use of technical assistance does not indicate failure. Rather, it shows that you know where you need help and that you know how to get it.

The job of the entrepreneur is complex, but all of the tasks you will need to perform can be classified into two broad categories:

1. Those you must do before the business opens.
2. Those you must do after the business is operating.

Before the business opens, you need to:

1. _____
2. _____
3. _____
4. _____

After the business is operating, you need to be able to:

5. _____

6. _____

7. _____

8. _____

9. _____

Technical assistance is classified into six major categories:

1. _____

2. _____

3. _____

4. _____

5. _____

6. _____

Maintaining Financial Records

UNIT VI MAINTAINING FINANCIAL RECORDS

Objectives

1. Identify the elements of a sound recordkeeping system.
2. Develop a system for payroll records.
3. Identify basic policies to use for credit and collections.

UNIT VI MAINTAINING FINANCIAL RECORDS

1. Identify the elements of a sound recordkeeping system.

A business cannot operate successfully without proper financial records. New Entrepreneur should keep their own books for at least a year, just to learn how to maintain financial records. The Entrepreneur must be familiar with what, how, and where the information will be recorded.

Why keep records?

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

A prerequisite to implementing an adequate system is to obtain advice and assistance from an accountant.

The six major elements of a good recordkeeping are:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

One simplified bookkeeping system used by small business owners is called the "Dome Method". It is a system used to assist small business operators and professional people in keeping an accurate, inexpensive and simple record of their business transactions.

Two basic kinds of bookkeeping systems available for accounting purposes are:

1. Single Entry

_____

_____

_____

2. Double Entry

_____

_____

_____

Every business has unique recordkeeping needs, but there are some accounting records that are common to most businesses.

1. _____
2. _____
3. _____
4. _____
5. _____

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STUDENT ACTIVITY SHEET

UNIT VI MAINTAINING FINANCIAL RECORDS

2. Develop a system for payroll records.

Payroll records must be maintained that include record of hours worked, wages earned, and deductions taken from wages for each employee.

Payroll is necessary for future planning. It enables the owner to keep track of exact payroll expenses.

Exact figures for deductions of federal, state, and any other taxes must be known in order for the owner to meet legal requirements.

PAYROLL

_____

_____

WAGES OR EARNINGS

_____

_____

SALARY

_____

_____

COMMISSION

GROSS PAY

NET PAY

REGULAR HOURS

OVERTIME

FICA

WITHHOLDING TAX

TEST

Name _____ Program _____

Date _____ Score _____

Directions: Read the following questions to check your own knowledge of the information in this unit. When you feel prepared, ask your instructor to test you.

1. Describe why a small business firm needs to keep records.
2. Identify six elements of a sound recordkeeping system.
3. Explain the difference between a single-entry recordkeeping system and a double-entry system.
4. Use the following information to complete the bank reconciliation statement shown in figure 7. Write your answers on a separate piece of paper.

Bank statement balance	$2,760.00
Deposits not credited	$ 780.00 640.00 940.00
Outstanding checks	$ 50.00 1,002.00 35.00
Balance shown on the last check stub	$4,035.00
Bank service charge	$ 2.00

Figure 7. Bank reconciliation statement
(Check your answers against figure 6.)

5. Specify the information that should be included on an accounts receivable record.
6. Identify and describe the basic information that employee records should include.

Source: PACE MODULE, Unit 15 - Level 1, p. 197

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STUDENT ACTIVITY SHEET

UNIT VI MAINTAINING FINANCIAL RECORDS

3. Identify basic policies to use for credit and collections.

One major reason for granting credit is that about one-third of the nation's retail sales are based on credit.

Advantages for credit:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

The basic credit considerations are:

1. _____
2. _____

Easy going credit policy involves granting credit to people without checking thoroughly to see if they will be able to make payments.

Strict credit policy checks a customer's financial background thoroughly before credit is granted.

How easy-going your credit policy should be also depends upon:

A. _____

B. _____

C. _____

D. _____

Guidelines for evaluating credit applicants are:

1. _____

2. _____

3. _____

Investigating credit requests thoroughly protects you from the customer who has no intention of paying as well as from the customer who is extremely slow in paying.

Consider three major factors in deciding about a credit applicant:

1. _____

2. _____

3. _____

Features of a Credit Card Plan

In granting credit, you can honor:

A. _____

B. _____

C. _____

REMEMBER, the more options you honor, the more paperwork.

Credit card companies take much of the responsibility for collecting payment from the customer. The fee (3 percent to 6 percent of the amount purchased) is usually well worth it, as you avoid the collection problems and paperwork.

The authorization line is the highest amount that a store clerk may allow a customer to charge to a card without calling the credit card company for approval.

The basic types of direct credit plans are:

1. _____

2. _____

PARKWAY WEST AREA VOCATIONAL-TECHNICAL SCHOOL

ENTREPRENEURSHIP

TEST

Name _____ Program _____

Date _____ Score _____

DIRECTIONS: Review the following statements to check your own knowledge of these topics. When you feel prepared, ask your instructor to assess your competency on them.

1. Identify and discuss five reasons why a business would grant credit to customers.

   A. _____

   B. _____

   C. _____

   D. _____

   E. _____

2. Identify and discuss four factors that would influence how easy-going a credit policy should be for a certain type of business.

   A. _____

   B. _____

   C. _____

   D. _____

3. Explain the three "C" credit evaluation guidelines. Discuss how important each is when evaluating a credit applicant.

   A. _____

   B. _____

   C. _____

Name _____ Program _____

Date _____

4. List eight types of information that could be included on a credit application.

   A. _____

   B. _____

   C. _____

   D. _____

   E. _____

   F. _____

   G. _____

   H. _____

5. Discuss three procedures to follow when rejecting a credit application.

   A. _____

   B. _____

   C. _____

6. Explain four procedures normally followed by a business when using a credit card plan.

   A. _____

   B. _____

   C. _____

   D. _____

Name _____ Program _____

Date _____

7. Identify the three parts of a simple formula that can be used to calculate the benefits of offering credit.

   A. _____

   B. _____

   C. _____

8. Identify four costs that a business may have when granting direct credit.

   A. _____

   B. _____

   C. _____

   D. _____

Source: PACE: Managing Customer Credit and Collections, Research & Development Series No. 240 AB 17, The National Center for Research in Vocational Education, The Ohio State University, Unit 17, Level 1, p. 201

Managing Employer/Employee Relations

UNIT VII MANAGING EMPLOYER/EMPLOYEE RELATIONS

Objectives

1. Develop selection and hiring procedures.
2. Develop an employee compensation plan.
3. Develop an evaluation system for employees.

UNIT VII MANAGING EMPLOYER/EMPLOYEE RELATIONS

1. Develop selection and hiring procedures.

Human Resource Management _____

_____

The human resources of a business are its employees.

Four components of human resource management are _____,

_____, _____ and _____.

1. _____

_____

_____

_____

2. _____

_____

_____

_____

3. _____

_____

_____

_____

4. _____

_____

_____

_____

Employees can determine the success or failure of a business. Employees who do not produce are a financial drain on the business.

UNIT VII MANAGING EMPLOYER/EMPLOYEE RELATIONS

2. Develop an employee compensation plan.

Most employees, whether or not they are represented by labor unions, continue to seek improvements in salary, employee benefits, and working conditions. All employee compensation must be based on what the firm can afford, must comply with current practices of other employees, and must be understood and accepted by the employees. To do all this, employee policies and operating procedures should be thought about and developed carefully.

Just because a firm offers competitive salaries, benefits, and working conditions, doesn't mean that all your employees will do good work. In addition to these financial or physical compensations, employees need responsibility, the opportunity to develop new skills, or some recognition of accomplishment in their jobs.

Source: PACE, Unit 12, Level 1, pp. 4-5.

The following is a list of different types of compensation:

_____

_____

_____

_____

_____

_____

You must be competitive with other employers if you want highly skilled individuals.

Compensation and Financial Incentives

Wages

_____

Salaries

_____

Bonuses

_____

Premiums

_____

Commissions

_____

Fringe Benefits

Fringe benefits are costing most employers 35 to 40 percent of payroll. It is important that small business owners manage this expense.

Several types of fringe benefits offered are:

Pension Plan

_____

_____

_____

Health and LIfe Insurance

_____

_____

_____

Worker's Compensation

_____

_____

_____

Employee Discounts

_____

_____

_____

Employee benefit packages are constantly changing. Employers strive to become competitive in order to attract and keep good employees.

UNIT VII MANAGING EMPLOYER/EMPLOYEE RELATIONS

3. Develop an evaluation system for employees.

Most small business owners agree that the work performance of each employee should be evaluated periodically. This is done not as a basis for a raise but to indicate ways in which the employee can improve. Employee evaluation forms are available, or the small business owner can design a rating sheet for the particular business. Normal salary or wage interviews are conducted at the end of three months for new employees, and then every six months or annually, depending on company policy.

The following categories should be considered in an employee's evaluation:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____

Protecting your Business

UNIT VIII PROTECTING YOUR BUSINESS

Objectives

1. Identify three types of insurance required by an entrepreneur.

UNIT VIII PROTECTING YOUR BUSINESS

1. Identify the three types of insurance required by an entrepreneur.

Insurance covers the cost of damages but doesn't remove the risk.

Businesses can be insured against fire, theft, or an accident that occurs on your business property. You cannot buy insurance that covers your losses due to a change in economic conditions in your area, or from competition or bad management practices.

Insurance is a protection plan that helps reduce financial risk. By buying insurance, a business joins with many other companies to create a pool of money to pay for losses. Some entrepreneurs choose not to purchase insurance. Listed below are reasons for not buying insurance or buying less insurance:

1. _____

2. _____

3. _____

One of the most common risks is that of potential loss due to crime.

1. _____

_____

_____

2. _____

_____

_____

3. _____

_____

_____

4. _____

_____

_____

Several risks such as fire, natural disasters, bad debt losses, personal injury claims, and product liability claims, the entrepreneur has no control over the situation or event.

Changes in business competition or economic conditions are not insurable.

Two major difficulties in selecting insurance:

1. _____

2. _____

Purchasing insurance is just one part of a complete protection program for your business. Sound business management practices compliment such insurance coverage.

Source: PACE, Unit 18, Level 1

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ENTREPRENEURSHIP

TEST

Name _____ Program _____

Date _____ Score _____

DIRECTIONS: Read the following assessment questions to check your own knowledge of this topic. When you feel prepared, ask your instructor to assess your competency on them.

1. List and discuss the most common types of crime that entrepreneurs face.

_____

_____

_____

2. Identify and discuss risks (other than crime) that entrepreneurs face.

_____

_____

_____

3. Explain why entrepreneurs need to develop a protection plan for their business.

_____

_____

_____

4. Identify two major strategies that entrepreneurs can use to protect themselves against losses from risks.

A. _____

_____

B. _____

Source: PACE Instructors Guide, The Ohio State University, P. 203.

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